Investment Saskatchewan

ANNUAL REPORT 2003

Letter of Transmittal

104-05116/

Regina, Saskatchewan

March 31, 2004

To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the first annual report of Investment Saskatchewan Inc., formerly CIC Industrial Interests Inc. (CIC III), for the year ended December 31, 2003 in accordance with **The Crown Corporations Act, 1993.** The Consolidated and Non-Consolidated Financial Statements included in this annual report are in the form approved by the Treasury Board and have been reported on by our auditors.

Respectfully submitted,

Eric Cline, Q.C.

Minister of Investment Saskatchewan Inc.

Table of Contents

3 Message from the Chair and Acting President

5 Corporate Profile - Investment Saskatchewan Inc.

- 5 Introduction
- 6 Mandate
- 7 Corporate Governance
- 15 Vision, Mission and Values
- 17 Investment Policies
- 20 Portfolio Description

23 2003 Performance Management Objectives, Measures and Results

25 2004 Performance Management Objectives, Measures and Targets

27 Management's Discussion & Analysis

45 Investment Saskatchewan Consolidated Financial Statements

69 Investment Saskatchewan Non-Consolidated Financial Statements

Corporate Profile —

Investment Saskatchewan Inc.

Table of Contents

Message from the Chair and Acting President

I have the distinct pleasure of serving as the first Chair of Investment Saskatchewan Inc. Formerly known as CIC Industrial Interests Inc. (CIC III), the Corporation was restructured in October 2003 in order to accelerate its ability to positively impact the Saskatchewan economy.

With an eight-member independent board, proactive management, and the strength of a highly qualified staff, Investment Saskatchewan is positioning itself to become one of Canada's most diverse investment capital corporations.

Maurice Delage
Chair and Acting President
Investment Saskatchewan Inc.

In just a few short months Investment Saskatchewan has taken strategic steps towards this goal. A major corporatization, the outsourcing of its small investment portfolio management, and a complete re-branding have laid the foundation of Investment Saskatchewan's new mandate, vision and mission.

The 2003 financial results will support Investment Saskatchewan's mandate to improve the availability, accessibility and impact of private investment capital in the province.

The Corporation is on solid footing. On an non-consolidated basis, in 2003 the Corporation recorded positive net earnings of $7.5 million, a year-end cash position of $3.4 million and growth of assets of $32.7 million to more than $609 million. The positive performance of its major investments made the largest contribution to the net income. Results are provided on a consolidated and non-consolidated basis to give the reader a broader perspective on the Corporation, its results and its financial relationship with its investees.

Saskatchewan

In 2003, gross revenues of Investment Saskatchewan investee and fund companies were $2.9 billion

Companies in which Investment Saskatchewan invests contribute significantly to the Saskatchewan economy: they employ Saskatchewan people, purchase local goods and services, and provide other economic spin-offs to the provincial economy. Cash and earnings from these investments have supported dividends from Crown Investments Corporation to the provincial treasury, which in turn, are available to help fund such services as provincial health care, education and highways.

Consistent with its mandate to enhance the province's long-term economic growth, the Corporation will play an important role in facilitating a more vibrant future–not only for Saskatchewan's business and venture capital community, but most importantly, for the people of this Province.

Maurice Delage

Chair and Acting President
Investment Saskatchewan Inc.

Corporate Profile-Investment Saskatchewan Inc.

Introduction

Investment Saskatchewan Inc. (the Corporation) is a designated subsidiary Crown corporation and is also legally incorporated under **The Business Corporations Act (Saskatchewan)**. Formerly known as CIC III, the Corporation was restructured and renamed in September 2003. It is wholly-owned by Crown Investments Corporation of Saskatchewan (CIC). Its structure and governance is consistent with the overall CIC model for subsidiary Crown corporations.

Presently, the Corporation manages a diverse portfolio of commercially viable investments in business, including a $605.0 million portfolio, and has an annually approved capital allocation of $50.0 million.

The Corporation may serve as a facilitator, an investor in funds, and at times a strategic direct investor in larger projects as it explores new ways to ensure capital is available for businesses that will contribute to the economic growth of Saskatchewan.

Investment Saskatchewan demonstrates its commitment to developing the province's venture capital base along with Saskatchewan Industry and Resources as hosts of Investment Future Forum. Translating words into action, Investment Future Forum is an intense and exciting event that focuses on the nation's most innovative investee companies and introduces them to Canada's top investment capital companies.

The Forum is an annual opportunity for carefully selected new and expanding ventures to present their business case to interested investors. It all comes together in an entrepreneurial showcase that highlights Saskatchewan as the investment destination of choice. The event took place April 10 and 11, 2003 in Saskatoon at the Bessborough Hotel and was a tremendous success.

Saskatchewan 5,250 Saskatchewan jobs were supported by investee companies and fund investees in 2003.

Investment Impact

As of December 31, 2003, Investment Saskatchewan and CIC have received $1.2 billion in net cash over the last ten years from the investment portfolio including NewGrade Energy Inc., and Cameco Corporation investments held by CIC. The combined investment portfolio net income is more than $880.0 million over the last ten years.

In 2003, Investment Saskatchewan's investee companies, including fund investees, provided the following impacts:

Assets of Investment Saskatchewan investee companies	**$3.0 billion**
Gross revenues of Investment Saskatchewan investee companies	**$2.9 billion**
Number of Saskatchewan communities in which they operate	**48**
Saskatchewan jobs supported by investee companies	**5,250**
Operating expenditures in Saskatchewan including payroll	**$800.0 million**
Number of Saskatchewan suppliers	**7,780**
Value of Saskatchewan purchasing	**$1.0 billion**
Capital expenditures and new construction	**$225.0 million**

Since 1999, Investment Saskatchewan has partnered with the private sector in new commercial projects and investment funds, levering more than $284.0 million in private sector capital from $93.0 million of direct investment/commitment. During the same period, $157.0 million in funds was levered from $95.0 million invested/committed to investment funds. These investments will create approximately 700 new direct jobs, and 200 film-related full-time equivalents (FTE's).

Mandate

Saskatchewan Investment Saskatchewan investee companies operate in 48 Saskatchewan communities

In 2003 the Corporation's primary mandate was to enhance Saskatchewan's long-term economic growth and diversification through the provision of investment capital and financing, and to prudently manage portfolios of commercially viable investments.

As of the end of 2003, a new mandate was being recommended by the Investment Saskatchewan Board and is under consideration by CIC. Investment Saskatchewan is exploring private sector management of its assets and options to build pools of private and public sector capital to further the Saskatchewan economy.

Investment Impact

As of December 31, 2003, Investment Saskatchewan and CIC have received $1.2 billion in net cash over the last ten years from the investment portfolio including NewGrade Energy Inc., and Cameco Corporation investments held by CIC. The combined investment portolio net income is more than $880.0 million over the last ten years.

In 2003, Investment Saskatchewan's investee companies, including fund investees, provided the following impacts:	
Assets of Investment Saskatchewan investee companies	**$3.0 billion**
Gross revenues of Investment Saskatchewan investee companies	**$2.9 billion**
Number of Saskatchewan communities in which they operate	**48**
Saskatchewan jobs supported by investee companies	**5,250**
Operating expenditures in Saskatchewan including payroll	**$800.0 million**
Number of Saskatchewan suppliers	**7,780**
Value of Saskatchewan purchasing	**$1.0 billion**
Capital expenditures and new construction	**$225.0 million**

Since 1999, Investment Saskatchewan has partnered with the private sector in new commercial projects and investment funds, levering more than $284.0 million in private sector capital from $93.0 million of direct investment/commitment. During the same period, $157.0 million in funds was levered from $95.0 million invested/committed to investment funds. These investments will create approximately 700 new direct jobs, and 200 film-related full-time equivalents (FTE's).

Mandate

Saskatchewan Investment Saskatchewan investee companies operate in 48 Saskatchewan communities

In 2003 the Corporation's primary mandate was to enhance Saskatchewan's long-term economic growth and diversification through the provision of investment capital and financing, and to prudently manage portfolios of commercially viable investments.

As of the end of 2003, a new mandate was being recommended by the Investment Saskatchewan Board and is under consideration by CIC. Investment Saskatchewan is exploring private sector management of its assets and options to build pools of private and public sector capital to further the Saskatchewan economy.

Corporate Governance

The structure and composition of the Investment Saskatchewan Board of Directors underwent several major changes in 2003. On September 2, 2003, the Honourable Lorne Calvert, Premier of Saskatchewan announced the appointment of the first private sector Board of Directors for Investment Saskatchewan replacing the previous CIC III Board comprised of the Minister Responsible and two officials of CIC.

Eight highly respected external directors with business, investment, legal, and public relations experience were appointed by the CIC Board of Directors, and ratified by the Lieutenant Governor in Council on October 3, 2003. The Chairperson and Vice Chairperson were designated by the Lieutenant Governor in Council. The Board members receive annual retainers, meeting fees and travel expenses pursuant to CIC policies.

Independent Board

Maurice Delage–Board Chairperson, Regina

former President and CEO, Aventis Crop Science, North America

Maurice Delage's 30-year career in agri-business was focused in the high technology crop protection, animal health, seed and biotechnology sectors.

He is the former President & Chief Executive Officer of Aventis Crop Science in North America. Aventis was a global agri-business company focused on high technology crop protection, animal health, seeds, and biotechnology with over 3,500 employees, U.S. $800 million in sales, and U.S. $130 million in research and development. Mr. Delage retired from corporate business in 2001. As a member of the global management boards of Aventis, AgrEvo, Hoechst Celenese and Hoechst Canada, his emphasis was upon capital investment, business development, strategic planning, mergers and acquisitions.

Mr. Delage currently farms and provides private consulting in strategic planning and business development.

Susan Milburn–Vice Chairperson, Saskatoon

Vice President, Raymond James Ltd.

Susan Milburn is Vice President of Raymond James Ltd. in Saskatoon. She has been employed in the investment industry since 1980 and during that time, has served as Vice President of the Saskatchewan operations and predecessor companies of Midland Walwyn and RBC Dominion Securities.

Ms. Milburn is the Past President of the University of Saskatchewan Alumni Association, Vice Chair of the Investment Dealers Association–Saskatchewan Chapter, Vice Chair of SaskPlace Board of Directors, and Investment Committee Chair of The Saskatoon Foundation. Past board positions have been with SaskEnergy and SaskPower, as well as affiliations with Saskatoon Economic Development Board, Saskatoon Community Bond Corporation, and Crown Life Pension Plan as an independent trustee. Well-known to the community, she provides a daily market report on CKOM radio and was named one of Saskatchewan's ten most influential women in February 2002 by *Saskatchewan Business Magazine*.

Donald W. Black, CM

C.E.O, Greystone Managed Investments Inc.

Donald Black is the Chief Executive Officer of Greystone Managed Investments Inc., an independent investment counselling firm based in Regina, operating nationally, and majority owned by its employees. Greystone, Canada's 10th largest pension investment management firm, manages in excess of $19 billion in aggregate assets for pension plans, and other institutional investors.

Mr. Black is a seasoned financial services executive, having previously been the chief executive officer of an investment dealer firm, a life insurance company and a general insurance company. He has been a director of a number of public and private companies, including serving as Chair of the board of directors of Farm Credit Canada from 1995 to 2000. In addition, he has served on the boards of several charities and community organizations.

Mr. Black is currently also the Chair of the board of the Canadian Scholarship Trust Foundation, and a member of the board of TGS North American Real Estate Trust. He was appointed a Member of the Order of Canada in October 2002.

Gordon G. Tallman, Calgary

Retired Senior Vice President, Royal Bank Prairies Region

Gordon G. Tallman recently retired as the Senior Vice President of the Royal Bank Prairies Region after a career spanning 42 years. In the 1990's he spent several years in Saskatchewan as the bank's General Manager.

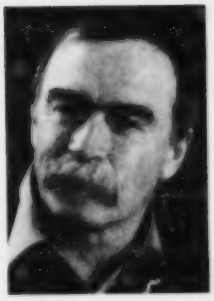
He served as Chairman of the bank's Country Review and Industrial Sector and Environmental Risk Committees, and was a member of the Credit Policy, Credit Quality, Asset and Liability Allocation and Personnel Committees. Mr. Tallman is currently a member of the Board of Directors/Trustees of Big Rock Brewery Ltd., Canadian Utilities Ltd., P.F.B. Corporation, and Gwich'in Development Corporation. He is Chairperson of the Board of CV Technologies Inc. and Chairperson of the Board of Trustees of Enbridge Income Fund.

R.T. (Bob) Reid, Vancouver

Corporate Director and Chair, B.C. Transmission Corporation

Robert T. Reid is a Corporate Director and Chair of the B.C. Transmission Corporation. He previously held positions as President of Duke Energy Gas Transmission's Canadian operations, Executive Vice President and Chief Operating Officer, Westcoast Energy Inc. in Vancouver, and was President and Chief Executive Officer of Union Gas from 1997 to 2001.

Prior to joining Westcoast, Mr. Reid held senior executive positions in both government service and the natural gas industry, including President and Chief Executive Officer of Pan-Alberta Gas; President of Foothills Pipe Lines Limited; Vice President of Corporate Development and Planning for Sceptre Resources; and Executive Director of the Independent Petroleum Association of Canada. In the public sector, Mr. Reid served in the Government of Saskatchewan in a number of capacities, including serving as Deputy Minister, Energy and Mines from 1983 to 1987. He is a board member of Greystone Capital Management Inc., a former board member of Cameco Corporation, Rigel Energy, and the Canada Life Assurance Company. Mr. Reid is the former Chairperson of the Canadian Gas Association and the Ontario Energy Association.



Raymond A. McKay, La Ronge

CEO, Kitsaki Management Limited Partnership

Raymond A. McKay is Chief Executive Officer of the Kitsaki Management Limited Partnership and is a member of the Lac La Ronge Indian Band. He began his career as a teacher and principal in rural Alberta.

He returned to Saskatchewan in 1979 to serve as Executive Director for the Northern Education Services Branch in La Ronge. He remained with Saskatchewan Education, Training and Employment for more than 17 years. While there, he established partnerships between northern communities, federal and provincial agencies, Indian and Metis authorities, and business and industry in order to address the personal, social, cultural and economic development of northern people.

In 1996 he became Deputy Minister of Northern Affairs with the Government of Saskatchewan and was key in developing a global Northern Strategy, establishing the Interim Northern Development Board, expanding the Northern Development Fund and creating the Northern Hire and Northern Procurement policies. Now, as CEO of Kitsaki, a diversified entity headquartered in La Ronge, he has developed strategic partnerships that have returned profits and provided jobs for northern people in a host of major industries.

Anne Parker, Regina

Executive Director, Communities of Tomorrow

Anne Parker recently returned to Regina from Chicago where she was Vice President of Trade Policy and Communications for IPSCO Inc. In her 15 year career with IPSCO she also served as Legal Counsel and Director of Corporate Communications.

She was directly involved with IPSCO's initial listings on the New York and Nasdaq Stock Exchanges, and shared responsibility for the related legal, communications and investor relations activities. While in IPSCO's legal department she dealt with a variety of areas including acquisitions, securities law, environmental activities and commercial transactions. She has completed the Canadian Securities course and, has served on the board of numerous community and charitable organizations.

Anne Parker is currently the Executive Director of the Communities of Tomorrow Partners for Sustainability Inc., a multi-million dollar research project.

Paul Martin, Regina

President, Paul Martin Communications Ltd.

Paul Martin is presently the Chairperson of the Regina Regional Economic Development Authority and is an active member of the business community in Saskatchewan. Born and raised in southern Saskatchewan, his work has been seen and heard in the province's media since the early 70's.

Specializing in the coverage of the business and political scenes, his career has spanned radio, television and print media. He and his wife currently own and operate a communications firm, which provides services to a variety of public and private clients across Western Canada. His journalism career has taken him around the world, giving him a unique perspective on the role of Saskatchewan and Canada on the global scene.

Board Responsibilities

The Board of Directors, Investment Saskatchewan is responsible for the stewardship of the Corporation. In fulfilling its stewardship responsibilities, the principal duties of the Board are to:

- set the long-term strategic direction of the Corporation, approve an annual plan and performance targets, and monitor the Corporation's performance against plan;
- ensure compliance with the Corporation's statutory responsibilities;
- identify with management the risks to the Corporation and set policies and procedures to manage those risks;
- ensure the integrity of the Corporation's internal controls and financial systems;
- review the performance of the CEO, and ensure that succession plans are in place; and,
- adopt policies for effective communications with the shareholder, stakeholders, and the public.

Board Committees

To assist the Board in carrying out its duties, it has established four Committees. The Committees report regularly to the Board, and submit recommendations to the entire Board for approval. The composition of each committee and a description of their responsibilities follow:

Audit and Finance Committee

Monitors and reviews the financial performance of the Corporation. Reviews internal controls, risk management practices, significant accounting policies, and regulatory and financial reporting requirements. Reviews and recommends key financial indicators, capital and operating budgets, and quarterly and annual financial statements. Oversees the external auditor's involvement and independence, and reviews and approves significant non-audit services. Reviews directors' expenses and operating costs of the Board.

Chairperson:	Susan Milburn
Members:	Gordon Tallman, Paul Martin

Investment Committee

Reviews regularly the performance of the portfolio and portfolio managers against industry benchmarks, and makes recommendations to the Board on the manager's appointment, termination, terms and fees. Reviews and recommends investment policies and compliance with the policies by the portfolio managers. Approves new investments within delegated authorities or recommends investments to the Board for approval.

Chairperson:	Maurice Delage
Members:	Susan Milburn, Bob Reid, Gordon Tallman, Anne Parker

Saskatchewan Assets of Investment Saskatchewan investee companies total more than $3.0 billion

Governance and Human Resources Committee

Monitors the functioning of the Board and Board Committees, reviews and recommends governance best practices to the Board of Directors, including Board and Committee composition, size, education, and membership, and evaluates their performance. Human Resource responsibilities include annual performance review of the CEO, succession planning policies and practices, and compensation and benefit programs. The Committee is also the Ethics Advisor to individual Board members, and the Board.

Chairperson: Bob Reid
Members: Anne Parker, Ray McKay

Communications and Public Relations Committee

Reviews annually management's communications framework, priorities, general themes and plans. Reviews annually the policy and procedures for publicly released information, and the annual report. Ensures awareness, understanding, support for and commitment of Investment Saskatchewan objectives through strategic, and structured communications programs.

Chairperson: Paul Martin
Member: Anne Parker

Life sciences research, development, and commercialization is a priority as the sector continues to garner world-wide attention

TSX Corporate Governance Compliance

Investment Saskatchewan's Board of Directors have implemented policies and practices that are consistent with the TSX Corporate Governance Committee's Guidelines.

	TSX Corporate Governance Committee's Guidelines (as amended by the TSX in 2001)	Investment Saskatchewan Inc. Corporate Governance Practices
1.	The board should explicitly assume responsibility for the stewardship of the corporation, specifically for:	
	a. Adoption of a strategic planning process and approval of a strategic plan which takes into account, among other things, the opportunities and risks of the business:	The Board of Directors functions as steward of the Corporation. The Board provides leadership in setting the Corporation's long-range strategic direction. The Corporation undertakes an annual strategic planning process resulting in the annual review and approval by the Board of the Corporation's strategic plan and annual operating and capital budgets.
	b. The identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks:	The Board of Directors ensures that appropriate systems have been put in place by management to manage the principal business risks of the Corporation and the Board receives regular reports from management on the effectiveness of these systems.
	c. Succession planning including appointing, training and monitoring senior management:	The Governance and Human Resources Committee assists the Board in succession planning, establishing performance targets and evaluation of the CEO's performance.
	d. A communications policy for the corporation:	The Communications and Public Relations Committee assists the Board with the discharge of its mandate by recommending a communications policy for the Corporation. The Committee reviews and recommends the annual communications plan that becomes part of the Board approved corporate business plan.
	e. The integrity of the corporation's internal control and management information systems:	The Audit and Finance Committee's primary responsibilities are to evaluate internal controls and accounting policies of the Corporation and its financial reporting structures. The Audit and Finance Committee reviews and recommends approval of the annual financial statements to the Board of Directors.
2.	a. The board of directors of every corporation should be constituted with a majority of individuals who qualify as unrelated directors:	The Board of Directors is comprised of eight members. Six are unrelated. Currently, the Chairperson is Acting President and CEO while a search for a full-time President and CEO is underway. The Vice Chairperson is currently appointed as Executive Vice President of the Corporation.
	b. Disclosure of significant shareholders (ability to exercise a majority of votes of elected directors):	Investment Saskatchewan is a designated subsidiary Crown corporation, incorporated under **The Business Corporations Act, Saskatchewan**. It is wholly-owned by Crown Investments Corporation of Saskatchewan.
3.	The board is required to disclose on an annual basis the analysis of the application of the principles supporting the conclusion of whether the director is related or an unrelated director:	Maurice Delage, Chairperson – RELATED Former President and CEO of Aventis Crop Science in North America Currently Acting President and CEO of Investment Saskatchewan Susan Milburn, Vice Chairperson – RELATED Vice President, Raymond James Ltd. Currently appointed Executive Vice President, Investment Saskatchewan Donald W. Black, CM – UNRELATED CEO, Greystone Managed Investments Gordon G. Tallman – UNRELATED Retired Senior VP, Royal Bank Prairies Region R.T. (Bob) Reid – UNRELATED Corporate Director and Chair, B.C. Transmission Corporation Raymond A. McKay – UNRELATED CEO, Kitsaki Management Limited Partnership Anne Parker – UNRELATED Executive Director, Communities of Tomorrow Partners for Sustainability Inc. Paul Martin – UNRELATED President, Paul Martin Communications Ltd.

TSX Corporate Governance Compliance

(continued)

	TSX Corporate Governance Guidelines (as amended by the TSX in 2003)	Investment Saskatchewan Inc. Corporate Governance Practices
4.	The board of directors of every corporation should appoint a committee of directors composed exclusively of outside directors, a majority of whom are unrelated directors, with responsibility for proposing to the full board new nominees to the board and for assessing directors on an ongoing basis:	The Governance and Human Resources Committee has been given the responsibility for the creation of a slate of nominees for the Board's consideration and for the ongoing assessment of individual directors. The Committee is comprised of three outside Directors, all are unrelated. Crown Investments Corporation has set a policy for Crown board of director needs assessment, skills profiling, recruitment and nomination. Investment Saskatchewan's Board of Directors may make recommendations to the CIC Board who approve Crown board appointments.
5.	Every board of directors should implement a process to be carried out by the nominating committee or other appropriate committee, for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors:	The Governance and Human Resources Committee has been given the responsibility for performance evaluations of the Board of Directors, the Committees, the Chairperson and individual Directors, per the shareholder's Crown board appointment policy.
6.	Every corporation, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the board:	The Governance and Human Resources Committee has been delegated the responsibility to oversee the development and implementation of a Director orientation and continuing education program. Additionally, Crown Investments Corporation provides annual training sessions for Crown boards of directors.
7.	Every board of directors should examine its size and undertake, where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making:	The Governance and Human Resources Committee has been delegated the responsibility to assess and advise the shareholder annually with respect to the size, composition and required qualifications of the Board.
8.	The board of directors should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being a director:	Crown Investments Corporation sets the compensation and expense reimbursement rates of Crown directors. The Corporation has internal processes to assess the adequacy of Director compensation and recommend such adjustments as are required.
9.	a. Subject to guideline 13, Committees should be generally composed of outside directors:	Committees are comprised mainly of outside directors. The Chairperson, Investment Committee is currently a related director, acting as CEO until an appointment is made. The Chairperson, Audit and Finance Committee is a related director, currently appointed as Executive Vice President of the Corporation.
	b. The majority of committee members should be unrelated:	The majority of Committee members are unrelated. The Chairperson is currently a related director acting as President and CEO until an appointment is made, but is not a member of the Audit and Finance Committee. The Audit and Finance Committee Chairperson is a related director at this time, other members of the Audit and Finance Committee are not related directors.
10.	Every board of directors should expressly assume responsibility for or assign to a committee of directors the general responsibility for developing the corporation's approach to governance issues. This committee would, among other things, be responsible for the corporation's response to these governance guidelines:	The Governance and Human Resources Committee has been delegated the responsibility to advise the Board on governance issues. The Governance and Human Resources Committee has reviewed and approved this report.

TSX Corporate Governance Compliance

Investment Saskatchewan's Board of Directors have implemented policies and practices that are consistent with the TSX Corporate Governance Committee's Guidelines.

	TSX Corporate Governance Committee's Guidelines (as amended by the TSX in 2002)	Investment Saskatchewan Inc. Corporate Governance Practices
1.	The board should explicitly assume responsibility for the stewardship of the corporation, specifically for:	
	a. Adoption of a strategic planning process and approval of a strategic plan which takes into account, among other things, the opportunities and risks of the business;	The Board of Directors functions as steward of the Corporation. The Board provides leadership in setting the Corporation's long-range strategic direction. The Corporation undertakes an annual strategic planning process resulting in the annual review and approval by the Board of the Corporation's strategic plan and annual operating and capital budgets.
	b. The identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks;	The Board of Directors ensures that appropriate systems have been put in place by management to manage the principal business risk s of the Corporation and the Board receives regular reports from management on the effectiveness of these systems.
	c. Succession planning including appointing, training and monitoring senior management;	The Governance and Human Resources Committee assists the Board in succession planning, establishing performance targets and evaluation of the CEO's performance.
	d. A communications policy for the corporation;	The Communications and Public Relations Committee assists the Board with the discharge of its mandate by recommending a communications policy for the Corporation. The Committee reviews and recommends the annual communications plan that becomes part of the Board approved corporate business plan.
	e. The integrity of the corporation's internal control and management information systems.	The Audit and Finance Committee's primary responsibilities are to evaluate internal controls and accounting policies of the Corporation and its financial reporting structures. The Audit and Finance Committee reviews and recommends approval of the annual financial statements to the Board of Directors.
2.	a. The board of directors of every corporation should be constituted with a majority of individuals who qualify as unrelated directors;	The Board of Directors is comprised of eight members. Six are unrelated. Currently, the Chairperson is Acting President and CEO while a search for a full-time President and CEO is underway. The Vice Chairperson is currently appointed as Executive Vice President of the Corporation.
	b. Disclosure of significant shareholders (ability to exercise a majority of votes of elected directors);	Investment Saskatchewan is a designated subsidiary Crown corporation, incorporated under **The Business Corporations Act, Saskatchewan**. It is wholly-owned by Crown Investments Corporation of Saskatchewan.
3.	The board is required to disclose on an annual basis the analysis of the application of the principles supporting the conclusion of whether the director is related or an unrelated director.	Maurice Delage, Chairperson – RELATED Former President and CEO of Aventis Crop Science in North America Currently Acting President and CEO of Investment Saskatchewan Susan Milburn, Vice Chairperson – RELATED Vice President, Raymond James Ltd. Currently appointed Executive Vice President, Investment Saskatchewan Donald W. Black, CM – UNRELATED CEO, Greystone Managed Investments Gordon G. Tallman – UNRELATED Retired Senior VP, Royal Bank Prairies Region R.T. (Bob) Reid – UNRELATED Corporate Director and Chair, B.C. Transmission Corporation Raymond A. McKay – UNRELATED CEO, Kitsaki Management Limited Partnership Anne Parker – UNRELATED Executive Director, Communities of Tomorrow Partners for Sustainability Inc. Paul Martin – UNRELATED President, Paul Martin Communications Ltd.

TSX Corporate Governance Compliance

(continued)

	TSX Corporate Governance Committee's Guidelines (as amended by the TSX in 2002)	Investment Saskatchewan Inc. Corporate Governance Practices
4.	The board of directors of every corporation should appoint a committee of directors composed exclusively of outside directors, a majority of whom are unrelated directors, with responsibility for proposing to the full board new nominees to the board and for assessing directors on an ongoing basis.	The Governance and Human Resources Committee has been given the responsibility for the creation of a slate of nominees for the Board's consideration and for the ongoing assessment of individual directors. The Committee is comprised of three outside Directors, all are unrelated. Crown Investments Corporation has set a policy for Crown board of director needs assessment, skills profiling, recruitment and nomination. Investment Saskatchewan's Board of Directors may make recommendations to the CIC Board who approve Crown board appointments.
5.	Every board of directors should implement a process to be carried out by the nominating committee or other appropriate committee, for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors.	The Governance and Human Resources Committee has been given the responsibility for performance evaluations of the Board of Directors, the Committees, the Chairperson and individual Directors, per the shareholder's Crown board appointment policy.
6.	Every corporation, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the board.	The Governance and Human Resources Committee has been delegated the responsibility to oversee the development and implementation of a Director orientation and continuing education program. Additionally, Crown Investments Corporation provides annual training sessions for Crown boards of directors.
7.	Every board of directors should examine its size and undertake, where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making.	The Governance and Human Resources Committee has been delegated the responsibility to assess and advise the shareholder annually with respect to the size, composition and required qualifications of the Board.
8.	The board of directors should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being a director.	Crown Investments Corporation sets the compensation and expense reimbursement rates of Crown directors. The Corporation has internal processes to assess the adequacy of Director compensation and recommend such adjustments as are required.
9.	a. Subject to guideline 13, Committees should be generally composed of outside directors.	Committees are comprised mainly of outside directors. The Chairperson, Investment Committee is currently a related director, acting as CEO until an appointment is made. The Chairperson, Audit and Finance Committee is a related director, currently appointed as Executive Vice President of the Corporation.
	b. The majority of committee members should be unrelated.	The majority of Committee members are unrelated. The Chairperson is currently a related director acting as President and CEO until an appointment is made, but is not a member of the Audit and Finance Committee. The Audit and Finance Committee Chairperson is a related director at this time, other members of the Audit and Finance Committee are not related directors.
10.	Every board of directors should expressly assume responsibility for or assign to a committee of directors the general responsibility for developing the corporation's approach to governance issues. This committee would, among other things, be responsible for the corporation's response to these governance guidelines.	The Governance and Human Resources Committee has been delegated the responsibility to advise the Board on governance issues. The Governance and Human Resources Committee has reviewed and approved this report.

TSX Corporate Governance Compliance

(continued)

	TSX Corporate Governance Committee's Guidelines (as amended by the TSX in 2002)	Investment Saskatchewan Inc. Corporate Governance Practices
11.	a. The board of directors, together with the CEO, should develop position descriptions for the board and for the CEO, including the definition of the limits to management's responsibilities.	Board and Committee Terms of Reference have been developed and approved. A CEO job description has been approved by the Governance and Human Resources Committee. The Board of Directors has approved a policy for the execution of documents and expenditure authorities for the CEO and senior management. This policy outlines the limits to senior management's authorities and the levels for which matters must receive Committee or Board of Director approval.
	b. The board should approve or develop the corporate objectives which the CEO is responsible for meeting and assess the CEO against these objectives.	The Board of Directors approved an annual corporate business plan, asset management plans, and balanced scorecard. The CEO's performance will be assessed against the results of the annual plan.
12.	Every board of directors should implement structures and procedures which ensure that the board can function independently of management.	The Board conducts an in-camera session at each meeting where all management are excused from the meeting. The Board has access to other senior staff of the Corporation as required to properly discharge their duties and responsibilities. The Audit and Finance Committee meets in-camera with the external auditors at least annually. The Chairperson is currently Acting as President and CEO until an appointment is made, and will then resume his role as unrelated director. Assessment of the Board and its Committees is delegated to the Governance and Human Resources Committee. All directors of that Committee are unrelated.
13.	The audit committee of every board of directors should be composed only of unrelated directors. All the members of the audit committee should be financially literate and at least one member should have accounting or related financial expertise. Each Board shall determine the definition of the criteria for "financial literacy" and "accounting or related financial expertise." The Board should adopt a charter for the audit committee which specifically defines the roles and responsibilities of the audit committee so as to provide appropriate guidance to audit committee members regarding their duties. The audit committee should have direct communication channels with the internal and external auditors to discuss and review specific issues, as appropriate. The audit committee's duties should include oversight responsibility for management reporting on internal control. It is the responsibility of the audit committee to ensure that management has designed and implemented an effective system of internal control.	Two members of the Audit and Finance Committee are unrelated Directors. All are financially literate, and two members have financial expertise. The Audit and Finance Committee Terms of Reference defines the roles and responsibilities of the Committee, including review of the annual financial statements, review of reports of the external auditors with respect to the Corporation's internal control systems, review of quarterly financial statements and forecasts, review of the quality of service and the performance of the external auditor and recommendations of the appointment or reappointment of an external auditor, review and approval of audit plans.
14.	The board of directors should implement a system which enables an individual director to engage an outside advisor at the expense of the corporation in appropriate circumstances. The engagement of an outside advisor should be subject to the approval of an appropriate committee of the board.	The Board and Committees have the ability to obtain the advice of external advisors if in their opinion it is necessary in order to properly discharge their duties and responsibilities.

TSX Corporate Governance Compliance

(continued)

	TSX Corporate Governance Committee's Guidelines (as amended by the TSX in 2002)	Investment Saskatchewan Inc. Corporate Governance Practices
11.	a. The board of directors, together with the CEO, should develop position descriptions for the board and for the CEO, including the definition of the limits to management's responsibilities:	Board and Committee Terms of Reference have been developed and approved. A CEO job description has been approved by the Governance and Human Resources Committee. The Board of Directors has approved a policy for the execution of documents and expenditure authorities for the CEO and senior management. This policy outlines the limits to senior management's authorities and the levels for which matters must receive Committee or Board of Director approval.
	b. The board should approve or develop the corporate objectives which the CEO is responsible for meeting and assess the CEO against these objectives:	The Board of Directors approved an annual corporate business plan, asset management plans, and balanced scorecard. The CEO's performance will be assessed against the results of the annual plan.
12.	Every board of directors should implement structures and procedures which ensure that the board can function independently of management:	The Board conducts an in-camera session at each meeting where all management are excused from the meeting. The Board has access to other senior staff of the Corporation as required to properly discharge their duties and responsibilities. The Audit and Finance Committee meets in-camera with the external auditors at least annually. The Chairperson is currently Acting as President and CEO until an appointment is made, and will then resume his role as unrelated director. Assessment of the Board and its Committees is delegated to the Governance and Human Resources Committee. All directors of that Committee are unrelated.
13.	The audit committee of every board of directors should be composed only of unrelated directors. All the members of the audit committee should be financially literate and at least one member should have accounting or related financial expertise. Each Board shall determine the definition of the criteria for "financial literacy" and "accounting or related financial expertise." The Board should adopt a charter for the audit committee which specifically defines the roles and responsibilities of the audit committee so as to provide appropriate guidance to audit committee members regarding their duties. The audit committee should have direct communication channels with the internal and external auditors to discuss and review specific issues, as appropriate. The audit committee's duties should include oversight responsibility for management reporting on internal control. It is the responsibility of the audit committee to ensure that management has designed and implemented an effective system of internal control:	Two members of the Audit and Finance Committee are unrelated Directors. All are financially literate, and two members have financial expertise. The Audit and Finance Committee Terms of Reference defines the roles and responsibilities of the Committee, including review of the annual financial statements, review of reports of the external auditors with respect to the Corporation's internal control systems, review of quarterly financial statements and forecasts, review of the quality of service and the performance of the external auditor and recommendations of the appointment or reappointment of an external auditor, review and approval of audit plans.
14.	The board of directors should implement a system which enables an individual director to engage an outside advisor at the expense of the corporation in appropriate circumstances. The engagement of an outside advisor should be subject to the approval of an appropriate committee of the board:	The Board and Committees have the ability to obtain the advice of external advisors if in their opinion it is necessary in order to properly discharge their duties and responsibilities.

Vision, Mission and Values

The vision, mission and values of Investment Saskatchewan were developed through a strategic planning process by the Board of Investment Saskatchewan in the fall of 2003, and approved by the Board of Crown Investments Corporation in January 2004. They are set out below and subject to review as the Corporation makes decisions on structures for delivery of its mandate.

Investment Saskatchewan will be

- **an acknowledged leader** in the development of new ways for governments to work with private sources of capital and businesses that require capital;
- **a facilitator** of the creation of pools of capital for funds targeted to meet the needs of Saskatchewan businesses and those proposing to do business in Saskatchewan;
- at times, **an investor in funds** and at times a strategic **direct investor in larger projects**;
- **a good performer** with financial results that compare favourably with private sources of capital investing in similar classes of investments;
- **a generator** of reasonable returns and cash flows considering the risks inherent in the business of investing;
- **a small, dynamic entity** composed essentially of a Board and a limited amount of policy and administration support, carrying out its mandate through contractual relationships with third party professional investment managers. Over time, as the availability of private sector sources of capital increase and as various segments of capital markets become better served, Investment Saskatchewan will begin to reduce its capital base; and,
- **a catalyst** for government in the development of the Saskatchewan economy and less a custodian of public investments.

ision

Investment Saskatchewan's primary mission is to

- ensure that opportunities to develop the Saskatchewan economy do not go unrealized because of the failure of private markets for financing and investment capital. Its business is to provide financing and investment on commercial terms which recognize the risk inherent in each investment.

Its parallel mission is to

- support development of the private sector investment management industry in Saskatchewan. Growth of this industry has inherent value in the form of increased numbers of professional jobs and incremental requirements for related goods and services. This growth will also lead to reduced reliance on public sources of capital.

Successful implementation of this dual mission will lead to healthy and vibrant capital markets in Saskatchewan, incremental in-bound investment and a reduced investment role for government.

ission

Vision, Mission and Values

(continued)

Investment Saskatchewan shares the same values as those established by the shareholder for the overall crown sector, together we:

- **value** the trust of our customers, employees and stakeholders;
- **demonstrate** honesty, integrity, fairness and respect in everything we do. We in the Crown sector support each other;
- **thrive** on cooperation, coordination and the pursuit of common goals. We value our workforces in all their depth and diversity;
- **support** our people to achieve corporate and personal potentials. We are socially and environmentally responsible in our business operations;
- **work** for the betterment of all Saskatchewan people;
- **operate** in a business-like and financially responsible way; and,
- **measure and monitor** our operations in order to continuously improve performance.

alues

Investment Policies

The current investment policies of Investment Saskatchewan are set out below. These were approved by the Board of Investment Saskatchewan as part of the annual strategic planning process and are subject to review as the Corporation makes decisions on structures for delivery of its mandate.

In assessing potential projects and managing its existing investments, Investment Saskatchewan will evaluate business plans against the following policies:

- Detailed analysis of a thorough and complete business plan must yield the conclusion that the business endeavour will be commercially viable while providing an acceptable risk adjusted rate of return to its investors including Investment Saskatchewan.

- The enterprise must result in job creation and increased net economic activity in Saskatchewan – it must result in growth in the Saskatchewan economy not simply compete against other Saskatchewan businesses for limited local markets.

- The ultimate result of any investment must be the development of a new enterprise in Saskatchewan, the relocation of business activity to Saskatchewan or the expansion of an existing enterprise currently located in the province.

- New investment may be entered into with a long-term view but reasonable opportunities must exist for Investment Saskatchewan to exit the investment.

- The Corporation's investment must not serve to underwrite, guarantee or backstop private sector investment in an uncommercial manner but rather to partner with and lever private investment in a manner which yields commercial risk adjusted rates of return and at the same time meets public policy objectives for economic growth.

Innovation Place in Saskatoon is one of North America's most advanced research parks for agriculture, pharmaceuticals and life sciences

- New enterprise or expansion should include a significant component of private sector investment.

- Investment activity should support Saskatchewan's overall economic development strategy including a focus on the following sectors:
  - Agri-value and Agri-related
  - Advanced Technology
  - Information Technology
  - Environmental Technology Commercialization
  - Forestry
  - Resource Extraction Processing and Value-added
  - Energy

Saskatchewan Investment Saskatchewan investee companies utilize the products and services of more than 7,780 Saskatchewan suppliers.

Investment Tools and Thresholds

Investment Saskatchewan will utilize investment tools such as:

- equity (common & preferred shares);
- near equity (convertible instruments); and,
- subordinate debt.

The Corporation will consider:

- provision of senior debt in circumstances where appropriate security and debt service capacity are present; and,
- partnerships in senior and subordinated debt syndicates.

Investment Saskatchewan limits its role in the provision of seed and development capital and smaller investments (under $3 million) to participation in pools of capital or funds (private and public sources) managed by third parties.

It will consider direct investment in medium to larger projects, above $3 million, when the investment opportunity meets strategic objectives and carries an appropriate risk rated projected return.

Saskatchewan

2003 operating expenses, including payroll, of Investment Saskatchewan investee companies was $800 million

Strategic Sectors

Investment Saskatchewan's targeted strategic sectors of investment include:

Agri-value and Agri-related

- Food, Crop & Beverage Processing (e.g., frozen food processing, specialty crop processing)
- Meat Processing (e.g., pork and poultry processing)
- Nutraceuticals (e.g., health food, "natural" products)
- Agricultural Equipment (e.g., power train equipment)

Advanced Technology

- Agricultural Biotechnology (e.g., new seed and bio-inputs, new oils, improved livestock feed, biodegradable plastics, fermentation)
- Life Sciences (e.g., new pharmaceuticals, health research, nanotechnology)

Information Technology

- Electronics and Instrumentation (e.g., Canadian Lightsource Synchrotron-enabled research and technology)
- Bio-products and Processing (e.g., agriculture and health care enabling technology)

Environmental Technology Commercialization

- Renewable energy technology
- Ethanol production

Forestry

- Engineered wood products
- Value-added wood fibre processing

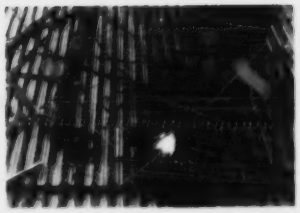
Resource Extraction Processing and Value-added

- Minerals extraction and processing

Energy

- Incremental development, processing, and use of the resource base including heavy oil, natural gas, wind, and solar

This targeted sector approach, however, does not preclude Investment Saskatchewan from making an investment in other industries and sectors if the investment is determined to be commercially viable, and meets other policies and strategic objectives.



Capital expenditures and new construction in Saskatchewan by investee companies totalled $225 million in 2003

In the future

The Corporation is examining the establishment of an Investment Management Company (IMC) to manage the Investment Saskatchewan portfolio.

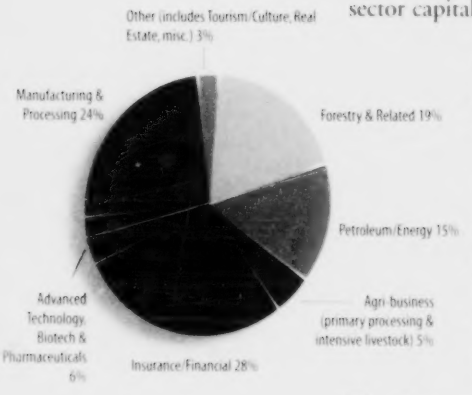
Working with the IMC, the Corporation would seek out and analyze strategic opportunities across industries; continue to develop private sector investment management capacity in the province; and, work with the venture capital community within Saskatchewan to further establish this province as a preferred centre of business growth and new investment opportunities.

Portfolio Description

Investment Saskatchewan has invested in and currently manages a portfolio of investments that includes joint ventures, partnerships, equity investments, fund investments, and direct loans with a value of $605.0 million at December 31, 2003. In addition, Investment Saskatchewan manages CIC's investment in NewGrade Energy Inc.[1]

The present portfolio of investments is in companies that have combined revenues of $2.9 billion and support over 4,881 full-time, and 365 part-time jobs in Saskatchewan. They reflect a variety of industry sectors including forestry, petroleum, manufacturing and processing, agri-business, insurance and financial, biotechnology, advanced and information technology.

Since 1999, Investment Saskatchewan has directly invested or committed to eight new projects totalling $93.7 million. These investments have levered $284.4 million of private sector capital in Saskatchewan.


Other (includes Tourism/Culture, Real Estate, misc.) 3%
Manufacturing & Processing 24%
Forestry & Related 19%
Petroleum/Energy 15%
Agri-business (primary processing & intensive livestock) 5%
Advanced Technology, Biotech & Pharmaceuticals 6%
Insurance/Financial 28%

Portfolio by Industry at December 31, 2003

Investment Saskatchewan also provided follow-on financing in 2003 in the amount of $3.1 million to 10 investee companies. These financings are recorded as part of WTC Investments Ltd. and PCF Investments Ltd.

Investment Saskatchewan's fund initiative is a long-term strategy to promote and build the venture capital industry in Saskatchewan by encouraging private sector involvement to assist in economic growth. Investment Saskatchewan has invested in six funds (and supported the creation of Crown Fund One through Crown Life) since 2000, committing $95.1 million, and levering $157.1 million in private sector commitments.

The Corporation owned 104 direct and fund investments at December 31, 2003, as a result of its own activity and earlier amalgamations from other Crown corporations and departments. The management of 71 of these investments, individually less than $3.0 million in size and worth $20.4 million in aggregate, is outsourced to two Saskatchewan investment management companies, Westcap Mgt. Ltd. (Westcap) of Saskatoon and PFM Corporate Finance Consulting Inc. (PFM) of Regina. As such, results of the outsourced investments are reported as part of WTC Investments Ltd. and PCF Investments Ltd. financial results. These entities are wholly-owned subsidiaries of Investment Saskatchewan.

[1] See Crown Investments Corporation 2003 annual report for financial results of the NewGrade Energy Inc. investment.

Saskatchewan In 2003, the value of purchases made by Investment Saskatchewan's investee companies was more than $1 billion.

The following chart details the portfolio under management at December 31, 2003 subsequent to the small portfolio outsourcing. Information in this chart does not necessarily reflect the market value.

Investments Accounted for on an Equity Basis ($ millions) (Non-consolidated)	
Direct Investments	**Book Value @ Dec. 31/03**
Saskferco Products Inc.	$120.2
Meadow Lake Pulp Limited Partnership	113.1
Meadow Lake OSB Limited Partnership	30.6
Centennial Foods Partnership	18.2
Big Sky Farms Inc.	16.5
CIC Swine Genetics Holdings Inc.	10.3
Saskatchewan Valley Potato Corporation	1.8
SGI CANADA Insurance Services Ltd.	1.3
Genex Swine Group Inc.	0.1
Fund Investments	
PCF Investments Ltd.	11.3
Prairie Ventures Limited Partnership	10.1
WTC Investments Ltd.	9.1
Foragen Technologies Limited Partnership	6.6
Western Life Sciences Ventures Fund Limited Partnership	2.7
Total	**$351.9**

Investments Accounted for on a Cost Basis ($ millions) (Non-consolidated)	
Direct Investments	**Book Value @ Dec. 31/03**
Premium Brands Inc.	$ 15.0
Pangaea Systems Inc.	2.0
Minds Eye Entertainment Ltd.	-
Other Small Investments	0.1
Fund Investments	
Primaxis Technology Ventures Incorporated	5.0
Total	**$ 22.1**

Debentures, Loans and Other Advances ($ millions) (Non-consolidated)	
Direct Investments	**Book Value @ Dec. 31/03**
HARO Financial Corporation	$207.0
Mitchell's Gourmet Foods Inc. - Loan	9.3
Canadian Western Bank - Debenture	3.1
Great Western Brewing Company Limited - Debenture	1.7
Lease Option Agreements on Miscellaneous Property Holdings	1.3
Miscellaneous Small Loans	2.5
Total	**$224.9**

Properties and Capital Assets ($ millions) (Non-consolidated)	
Direct Investments	**Book Value @ Dec. 31/03**
Land, Buildings and Properties Held for Resale	$ 6.1

CIC Investments Managed by Investment Saskatchewan Inc. ($ millions)	
Direct Investment (CIC consolidated)	**Book Value @ Dec. 31/03**
NewGrade Energy Inc.	$109.3

The following chart details the portfolio under management at December 31, 2003 subsequent to the small portfolio outsourcing. Information in this chart does not necessarily reflect the market value.

Investments Accounted for on an Equity Basis ($ millions) (Non-consolidated)	
Direct Investments	**Book Value @ Dec. 31/03**
Saskferco Products Inc.	$120.2
Meadow Lake Pulp Limited Partnership	113.1
Meadow Lake OSB Limited Partnership	30.6
Centennial Foods Partnership	18.2
Big Sky Farms Inc.	16.5
CIC Swine Genetics Holdings Inc.	10.3
Saskatchewan Valley Potato Corporation	1.8
SGI CANADA Insurance Services Ltd.	1.3
Genex Swine Group Inc.	0.1
Fund Investments	
PCF Investments Ltd.	11.3
Prairie Ventures Limited Partnership	10.1
WTC Investments Ltd.	9.1
Foragen Technologies Limited Partnership	6.6
Western Life Sciences Ventures Fund Limited Partnership	2.7
Total	**$351.9**

Investments Accounted for on a Cost Basis ($ millions) (Non-consolidated)	
Direct Investments	**Book Value @ Dec. 31/03**
Premium Brands Inc.	$ 15.0
Pangaea Systems Inc.	2.0
Minds Eye Entertainment Ltd.	–
Other Small Investments	0.1
Fund Investments	
Primaxis Technology Ventures Incorporated	5.0
Total	**$ 22.1**

Debentures, Loans and Other Advances ($ millions) (Non-consolidated)	
Direct Investments	**Book Value @ Dec. 31/03**
HARO Financial Corporation	$207.0
Mitchell's Gourmet Foods Inc. – Loan	9.3
Canadian Western Bank – Debenture	3.1
Great Western Brewing Company Limited – Debenture	1.7
Lease Option Agreements on Miscellaneous Property Holdings	1.3
Miscellaneous Small Loans	2.5
Total	**$224.9**

Properties and Capital Assets ($ millions) (Non-consolidated)	
Direct Investments	**Book Value @ Dec. 31/03**
Land, Buildings and Properties Held for Resale	$ 6.1

CIC Investments Managed by Investment Saskatchewan Inc. ($ millions)	
Direct Investment (CIC consolidated)	**Book Value @ Dec. 31/03**
NewGrade Energy Inc.	$109.3

2003 Performance Management

Objectives, Measures

and Results

2003 Performance Management Objectives, Measures and Results

(excerpt from the CIC 2003 Balanced Scorecard)

CIC's Corporate Strategic Objectives		Performance Measures	2003 Performance Targets	2003 Results
Financial	Prudently manage CIC's investment portfolio (includes NewGrade)	ROE (combined portfolio)	7.0%	4.76%
		Management of Investment Division costs as a % of the portfolio	0.8%	0.57%
		Net cash flow to the holding company	Positive	-$3.4M
Public Purpose	Strategic investments in support of public policy	Job creation	200 to 300 jobs	76 estimated
		Strategic new investment for economic development	$75M	$28.5 million
	Environmental protection and advancement of the Green Agenda	Environmental reviews part of investment decisions	100%	100%
Customers and Stakeholders	Accountability and public reporting of the Crown sector	Compliance with significant transaction reporting policy	Within 90 days	4 significant transactions – 2 within 90 days (FarmGro sale, WTC and PCF Investments) and 2 pending (Genex/Hypor merger, CIC III corporatization)
	Public and target market support for CIC's investment role	External market view by survey	Targets to be established by Q4 2002	Deferred to 2004
Leadership	Catalyst for economic development in Saskatchewan	Private sector capital levered per $1M of CIC capital committed	Projects >$1.5M Funds >$2.0M	Average >$1.4M Fund investments in 2003 consisted of the establishment of two wholly-owned funds to hold the small investments portfolio, each fund was seeded with $1 million for follow-on
Innovation and Growth	Commitment to "Leading Practices" in organizational and employee development	Satisfaction level by employee survey	>77%*	64%
		Training dollars (% of payrolls)	4.0%*	1.98%
			*These targets established for CIC as a whole	

2003 Performance Management Objectives, Measures and Results

CIC's Corporate Strategic Objectives		Performance Measures	2003 Performance Targets	2003 Results
Financial	Prudently manage CIC's investment portfolio (includes NewGrade)	ROE (combined portfolio)	7.0%	4.76%
		Management of Investment Division costs as a % of the portfolio	0.8%	0.57%
		Net cash flow to the holding company	Positive	-$3.4M
Public Purpose	Strategic investments in support of public policy	Job creation	200 to 300 jobs	76 estimated
		Strategic new investment for economic development	$75M	$28.5 million
	Environmental protection and advancement of the Green Agenda	Environmental reviews part of investment decisions	100%	100%
Customers and Stakeholders	Accountability and public reporting of the Crown sector	Compliance with significant transaction reporting policy	Within 90 days	4 significant transactions – 2 within 90 days (FarmGro sale, WTC and PCF Investments) and 2 pending (Genex/Hypor merger, CIC III corporatization)
	Public and target market support for CIC's investment role	External market view by survey	Targets to be established by Q4 2002	Deferred to 2004
Leadership	Catalyst for economic development in Saskatchewan	Private sector capital levered per $1M of CIC capital committed	Projects >$1.5M Funds >$2.0M	Average >$1.4M Fund investments in 2003 consisted of the establishment of two wholly-owned funds to hold the small investments portfolio, each fund was seeded with $1 million for follow-on
Innovation and Growth	Commitment to "Leading Practices" in organizational and employee development	Satisfaction level by employee survey	>77%*	64%
		Training dollars (% of payrolls)	4.0%*	1.98%

*These targets established by CIC as a whole

2004 Performance Management

Objectives, Measures

and Targets

2004 Performance Management Objectives, Measures and Targets

Financial ($ millions)

Objectives	Measures	2004
Generate dividends of $50 million and cash flow of $60 million over 2004-2007 period	Dividend to CIC	$13.70
New investment of $50 million per year, while maintaining dividend and cash flow to the shareholder, and positive income and cash flow to Investment Saskatchewan	New investment	$50.00
	Net income	$48.80
	Cash – end of year	$ 1.06

Public Purpose

Objectives	Measures	2004
Increased amount of private investment capital available in Saskatchewan	Private sector capital levered through new investment in projects greater than $1.5 M per $1.0 M of investment	>$1.5 M
	Private sector capital levered through participation in funds greater than $2.0 M per $1.0 M of investment	>$2.0 M
	Private sector capital levered through investment management company growth in funds under management	To be developed
Environmental protection	Environmental reviews part of investment decisions	All
	External review of environmental monitoring, regulatory compliance and protection practices of at least one major investment	1
Skills training and development	Support of Centennial Student Program	Actual number of students hired (including Co-op students)
	Support of post-secondary cooperative work study programs	Actual number of Co-op students hired
	Support of youth initiative	To be determined
Representative workforce	Women in under-represented categories	40%
	Aboriginal	5%
	People with disabilities	5%

2004 targets based on potential transfer of NewGrade Energy Inc. investment to Investment Saskatchewan

2004 Performance Management Objectives, Measures and Targets

Financial ($ millions)[1]

Objectives	Measures	2004
Generate dividends of $50 million and cash flow of $60 million over 2004-2007 period	Dividend to CIC	$13.70
New investment of $50 million per year, while maintaining dividend and cash flow to the shareholder, and positive income and cash flow to Investment Saskatchewan	New investment	$50.00
	Net income	$48.80
	Cash – end of year	$ 1.06

Public Purpose

Objectives	Measures	2004
Increased amount of private investment capital available in Saskatchewan	Private sector capital levered through new investment in projects greater than $1.5 M per $1.0 M of investment	>$1.5 M
	Private sector capital levered through participation in funds greater than $2.0 M per $1.0 M of investment	>$2.0 M
	Private sector capital levered through investment management company growth in funds under management	To be developed
Environmental protection	Environmental reviews part of investment decisions	All
	External review of environmental monitoring, regulatory compliance and protection practices of at least one major investment	1
Skills training and development	Support of Centennial Student Program	Actual number of students hired (including Co-op students)
	Support of post-secondary cooperative work study programs	Actual number of Co-op students hired
	Support of youth initiative	To be determined
Representative workforce	Women in under-represented categories	40%
	Aboriginal	5%
	People with disabilities	5%

[1] Based on planned funds of Specialty Energy Investment Limited Partnership

2004 Performance Management Objectives, Measures and Targets *(continued)*

Objectives	Measures	2004
Continuing improvements to accountability and public reporting	Significant transactions reported with 90 days	100% of significant transaction reports filed within the time frame
	Crown and Central Agency Committee	One month turnaround on all undertakings given to the Committee
	Investment newsletter circulated to target market and available to general public	A minimum of 2 newsletters per year
Increased public support for the role of Government in investment in the economy	# of individuals reached with positive message about overall investment track record	400 in attendance at Outreach Sessions
	Positive approval rating from stakeholders and target market	Bench marking Q1 2004
Public and target market awareness	Awareness of Investment Saskatchewan by the business community	Bench marking post corporate identity launch
	Awareness of Investment Saskatchewan by the general public	Bench marking post corporate identity launch
Investee / Client / Partner satisfaction	Positive approval rating by clients, investees and partners	77%

Objectives	Measures	2004
Commitment to leading practices in organizational and employee development	Satisfaction level by employee survey	85%
	Training dollars as a percent of payroll	3.0%
	Wellness program	To be developed
Commitment to business development in the Province	Investment Future Forum • Satisfaction level • Investees funded or in discussions	 4.50/5 > 50%
	Sponsorship of industry conferences and tradeshows	5 provincial + 2 western Canada
Commitment to community development	Sponsorship of community events	2

2004 Performance Management Objectives, Measures and Targets *(continued)*

Customer and Stakeholder

Objectives	Measures	2004
Continuing improvements to accountability and public reporting	Significant transactions reported with 90 days	100% of significant transaction reports filed within the time frame
	Crown and Central Agency Committee	One month turnaround on all undertakings given to the Committee
	Investment newsletter circulated to target market and available to general public	A minimum of 2 newsletters per year
Increased public support for the role of Government in investment in the economy	# of individuals reached with positive message about overall investment track record	400 in attendance at Outreach Sessions
	Positive approval rating from stakeholders and target market	Bench marking Q1 2004
Public and target market awareness	Awareness of Investment Saskatchewan by the business community	Bench marking post corporate identity launch
	Awareness of Investment Saskatchewan by the general public	Bench marking post corporate identity launch
Investee / Client / Partner satisfaction	Positive approval rating by clients, investees and partners	77%

Innovation and Growth

Objectives	Measures	2004
Commitment to leading practices in organizational and employee development	Satisfaction level by employee survey	85%
	Training dollars as a percent of payroll	3.0%
	Wellness program	To be developed
Commitment to business development in the Province	Investment Future Forum • Satisfaction level • Investees funded or in discussions	 4.50/5 > 50%
	Sponsorship of industry conferences and tradeshows	5 provincial + 2 western Canada
Commitment to community development	Sponsorship of community events	2

Investment Saskatchewan Inc.

Management's

Discussion & Analysis

Management's Discussion & Analysis

For the Year Ended December 31, 2003

Investment Saskatchewan Inc. (the Corporation) was incorporated under **The Business Corporations Act (Saskatchewan)** on November 14, 1979 as a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a Provincial Crown corporation. Effective September 3, 2003, by Order in Council 700/2003, which made effective **The Crown Corporation Amendment Regulations, 1993,** the Corporation was designated a CIC Crown corporation to which the provisions of **The Crown Corporations Act, 1993** apply. The Corporation's current mandate is to enhance Saskatchewan's long-term economic growth and diversification through the provision of investment capital and financing and to prudently manage portfolios of commercially viable investments. As of the end of 2003, a new mandate was being recommended by the Investment Saskatchewan Board and is under consideration by CIC. Investment Saskatchewan will seek private sector management of its assets and will begin to build a pool of private and public sector capital to further the Saskatchewan economy.

Management has included two sets of audited financial statements in this annual report. To assist readers in assessing the results of Investment Saskatchewan as a consolidated entity, management has included audited consolidated financial statements in accordance with Canadian generally accepted accounting principles which include Investment Saskatchewan's interests in the specific assets, liabilities, revenues, expenses, cash flows and significant note disclosures of subsidiaries and joint ventures in addition to those of the Investment Saskatchewan legal entity. In order for readers to view and analyze the results of the Investment Saskatchewan legal entity alone, management has also included audited non-consolidated financial statements, whereby the specific assets, liabilities, revenues, expenses, cash flows and significant note disclosures of subsidiaries and joint ventures are not included. The non-consolidated financial statements include these subsidiaries and joint ventures using the equity method of accounting.

This Management's Discussion & Analysis (MD&A) has been prepared on both a consolidated and non-consolidated basis. The MD&A begins with profiles and related five year statistics for major investments thereby allowing readers to gain a sense of operating and financial results of those entities that have been included in both the consolidated and non-consolidated financial statements. The next section of the MD&A describes results of operations, liquidity and capital resources related to the consolidated entity. The remaining sections of the MD&A focus attention on the non-consolidated entity. The non-consolidated financial statements are particularly relevant since Investment Saskatchewan management is not involved in the day to day activities of the operating entities contained in the consolidated financial statements. The level of involvement in directing and influencing investment operations is commensurate with the nature and size of the investment. Influence, and in some cases, control of individual investments is exercised through appropriate Board representation and agreements related to the investment. Investment Saskatchewan's focus continues to be managing, monitoring and evaluating returns from investments as measured by the share of investment earnings or losses, dividends, loan repayments, and the increase or decrease in the value of the investment, while safeguarding the assets and managing the expenses, liabilities and cash flows of the Corporation.

Some sections of the MD&A contain forward-looking information about the Corporation. This information reflects management's expectations and intentions at the time of writing. As such, risks and uncertainties could cause actual future results to differ materially from those anticipated.

Management's Discussion & Analysis

Profiles of Major Investments

Profile	2003 Results

HARO Financial Corporation (HARO) (and its subsidiary, Crown Life Insurance Company)

HARO is a Regina-based company created to acquire an ownership interest in Crown Life Insurance Company (Crown Life). Investment Saskatchewan owns 68 million non-voting, common shares of HARO at a cost of $68.0 million, and has a term loan to HARO totaling $139.0 million. Deferred interest is carried at $198.8 million. HARO holds a 65.2 per cent ownership interest in Crown Life.

In January 1999, Crown Life sold substantially all of its insurance business to The Canada Life Assurance Company (Canada Life).

In 2000, Crown Life repurchased all of the common shares not owned by its two major shareholders, HARO and Extendicare. As a result, Crown Life is no longer a publicly traded company.

- Crown Life's performance determines HARO's capacity to service its term loan from Investment Saskatchewan Inc.
- Crown Life was originally sold to Canada Life with a subsequent sale to Great West Lifeco receiving regulatory approval on June 27, 2003. The closing of the sale of Crown Life to Great West Lifeco scheduled for January 1, 2004 has been delayed because of the purchaser's integration plans and the lack of quantification of unresolved matters in Crown Life.
- The $86.0 million loan repayment scheduled for 2003 was deferred as a result of indications from Great West Lifeco that it believes the quantification of certain liabilities to be uncertain.

2004 Outlook

- To meet its obligations to Canada Life under the sale, Crown Life retains approximately $1.0 billion in assets, of which approximately one-half are being held to support the policyholder and other liabilities.
- The business strategy is the orderly liquidation of the majority of assets to retire liabilities and return the balance to shareholders.
- HARO expects to receive distributions from Crown Life in 2004 that will be applied to the term loan.

Key Factors Affecting Performance

- As HARO's only asset is Crown Life shares, financial performance is wholly dependent upon that of Crown Life.
- Crown Life's future performance will be largely affected by:
  - the outcome of outstanding litigation issues;
  - risk management practices;
  - North American real estate markets; and,
  - investment performance.

Key Financial Data

Contribution to consolidated financial results:

revenue - $Nil
(2002 - $8.3 million)

earnings - $Nil
(2002 - $8.3 million)

assets - $207.0 million
(2002- $207.0 million)

Management's Discussion & Analysis

Profiles of Major Investments *(continued)*

Profile | **2003 Results**

Saskferco Products Inc. (Saskferco)

Saskferco is a nitrogen-based fertilizer plant located near Belle Plaine with its head office in Regina. It produces an annual average of 90,000 tonnes of anhydrous ammonia for sale and 980,000 tonnes of granular urea, marketed in Canada and the northern United States.

Investment Saskatchewan Inc. owns 49 percent of Saskferco, Cargill Limited (Canada) 50 percent, and Citibank Canada one percent.

Saskferco has 139 permanent employees and 36 contract positions.

- Earnings were similar to 2002, due to continued strong urea and ammonia prices.
- Construction of a 230,000 tonne per year UAN (urea ammonium nitrate) fertilizer plant began at the Belle Plaine location during the year.

Saskferco fertilizer plant, Belle Plaine, Saskatchewan

2004 Outlook

- Saskferco is projecting a profit in 2004.
- Natural gas prices are expected to remain at similar levels as in 2003.
- Fertilizer prices are expected to remain strong during the year given lower supply in North America as higher cost producers remain out of the market due to high natural gas prices.
- Saskferco will begin delivering UAN in March 2004 which will reduce the need to sell lower priced off-season ammonia.

Key Factors Affecting Performance

- Urea, UAN and ammonia market prices.
- Major input costs such as natural gas.
- U.S./Canada exchange rate. A large portion of Saskferco's sales are in U.S. dollars. A lower exchange value for the Canadian dollar increases the price received. The effect of the exchange rate on sales revenues is partially offset by the effect on the cost of servicing U.S. debt.

Key Financial Data

Contribution to consolidated financial results:

earnings - $6.2 million
(2002 - $6.8 million)

assets - $120.2 million
(2002 - $116.1 million)

Instrumental

Management's Discussion & Analysis

Profiles of Major Investments

Profile	2003 Results

HARO Financial Corporation (HARO) (and its subsidiary, Crown Life Insurance Company)

HARO is a Regina-based company created to acquire an ownership interest in Crown Life Insurance Company (Crown Life). Investment Saskatchewan owns 68 million non-voting, common shares of HARO at a cost of $68.0 million, and has a term loan to HARO totaling $139.0 million. Deferred interest is carried at $198.8 million. HARO holds a 65.2 per cent ownership interest in Crown Life.

In January 1999, Crown Life sold substantially all of its insurance business to The Canada Life Assurance Company (Canada Life).

In 2000, Crown Life repurchased all of the common shares not owned by its two major shareholders, HARO and Extendicare. As a result, Crown Life is no longer a publicly traded company.

- Crown Life's performance determines HARO's capacity to service its term loan from Investment Saskatchewan Inc.
- Crown Life was originally sold to Canada Life with a subsequent sale to Great West Lifeco receiving regulatory approval on June 27, 2003. The closing of the sale of Crown Life to Great West Lifeco scheduled for January 1, 2004 has been delayed because of the purchaser's integration plans and the lack of quantification of unresolved matters in Crown Life.
- The $86.0 million loan repayment scheduled for 2003 was deferred as a result of indications from Great West Lifeco that it believes the quantification of certain liabilities to be uncertain.

2004 Outlook

- To meet its obligations to Canada Life under the sale, Crown Life retains approximately $1.0 billion in assets, of which approximately one-half are being held to support the policyholder and other liabilities.
- The business strategy is the orderly liquidation of the majority of assets to retire liabilities and return the balance to shareholders.
- HARO expects to receive distributions from Crown Life in 2004 that will be applied to the term loan.

Key Factors Affecting Performance

- As HARO's only asset is Crown Life shares, financial performance is wholly dependent upon that of Crown Life.
- Crown Life's future performance will be largely affected by:
  - the outcome of outstanding litigation issues;
  - risk management practices;
  - North American real estate markets; and,
  - investment performance.

Key Financial Data

Contribution to consolidated financial results:

revenue - $Nil
(2002 - $8.3 million)

earnings - $Nil
(2002 - $8.3 million)

assets - $207.0 million
(2002- $207.0 million)

Management's Discussion & Analysis

Profiles of Major Investments *(continued)*

Profile	2003 Results
Saskferco Products Inc. (Saskferco)	
Saskferco is a nitrogen-based fertilizer plant located near Belle Plaine with its head office in Regina. It produces an annual average of 90,000 tonnes of anhydrous ammonia for sale and 980,000 tonnes of granular urea, marketed in Canada and the northern United States. Investment Saskatchewan Inc. owns 49 percent of Saskferco, Cargill Limited (Canada) 50 percent, and Citibank Canada one percent. Saskferco has 139 permanent employees and 36 contract positions.	• Earnings were similar to 2002, due to continued strong urea and ammonia prices. • Construction of a 230,000 tonne per year UAN (urea ammonium nitrate) fertilizer plant began at the Belle Plaine location during the year.

39

Saskferco fertilizer plant, Belle Plaine, Saskatchewan

2004 Outlook

- Saskferco is projecting a profit in 2004.
- Natural gas prices are expected to remain at similar levels as in 2003.
- Fertilizer prices are expected to remain strong during the year given lower supply in North America as higher cost producers remain out of the market due to high natural gas prices.
- Saskferco will begin delivering UAN in March 2004 which will reduce the need to sell lower priced off-season ammonia.

Key Factors Affecting Performance

- Urea, UAN and ammonia market prices.
- Major input costs such as natural gas.
- U.S./Canada exchange rate. A large portion of Saskferco's sales are in U.S. dollars. A lower exchange value for the Canadian dollar increases the price received. The effect of the exchange rate on sales revenues is partially offset by the effect on the cost of servicing U.S. debt.

Key Financial Data

Contribution to consolidated financial results:

earnings - $6.2 million
(2002 - $6.8 million)

assets - $120.2 million
(2002 - $116.1 million)

Management's Discussion & Analysis

Profiles of Major Investments *(continued)*

Profile	2003 Results

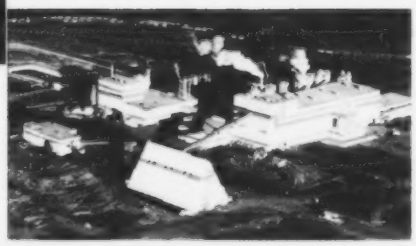
Meadow Lake Pulp Limited Partnership (MLPLP)

MLPLP operates one of the world's first zero-effluent chemi-thermomechanical pulp (CTMP) mills.

The mill has produced up to an annualized rate of 300,000 tonnes per year of chlorine-free hydrogen peroxide bleached CTMP. Investment Saskatchewan owns 50 per cent of MLPLP, with Millar Western Industries Ltd. holding the remaining 50 per cent. The state-of-the-art, environmentally friendly mill is located near Meadow Lake and uses Saskatchewan aspen as the fibre source.

MLPLP has 169 employees and provides an additional 245 jobs in the woodlands.

- MLPLP's financial performance was positively impacted by improved pulp prices coupled with strong sales volumes in 2003. A strong Canadian dollar negatively impacts on MLPLP's net income, however MLPLP's hedging program reduced the impact on MLPLP during 2003. Pulp prices strengthened throughout the first half of the year and weakened slightly in the last half of the year.
- MLPLP undertook and completed a major capital improvement plan costing approximately $10.0 million during 2003. It was successfully implemented and has increased the mill's production capacity and cost efficiency. Due to the weak financial condition of MLPLP caused by the poor prices in 2002, CIC was required under its guarantee to make a principal payment of $2.0 million on behalf of MLPLP in January 2003. The payment decreases the loan owing to a third party and increases the amount owing from MLPLP to Investment Saskatchewan. Improved financial results in 2003 meant no further principal payments by CIC under its guarantee.



Meadow Lake Pulp Mill, Meadow Lake, Saskatchewan

2004 Outlook

- Pulp prices are expected to strengthen during the first half of 2004, followed by a softening in the third quarter with a strong recovery to take place in the last quarter of the year.
- The exchange rate is expected to have an ongoing negative impact on Canadian producers throughout 2004. The strengthening of the Euro against the U.S. dollar however does support higher U.S. dollar pricing in Europe helping to offset some of the negative impact of the exchange rate in Canada.

Key Factors Affecting Performance

- Market pulp prices.
- Industry demand/supply balance plays a role in capacity utilization rates of pulp mills.
- U.S./Canadian exchange rate. Most pulp sales are in U.S. dollars. A lower exchange value for the Canadian dollar increases the price received.
- Input costs such as bleaching chemicals and wood (including stumpage and reforestation costs).

Key Financial Data

Contribution to consolidated financial results:

revenue - $94.5 million
(2002 - $89.6 million)

earnings - $0.9 million
(2002 - $2.3 million loss)

assets - $170.8 million
(2002 - $167.1 million)

Management's Discussion & Analysis

Profiles of Major Investments *(continued)*

Profile **2003 Results**

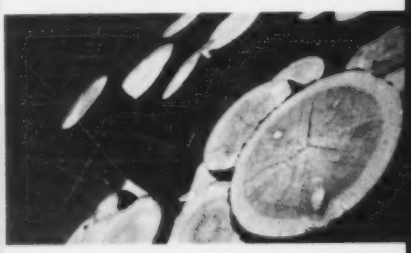
Meadow Lake OSB Limited Partnership (ML OSB)

ML OSB operates an oriented strand board (OSB) plant near the town of Meadow Lake, Saskatchewan.

The plant has the capacity to produce 600 million square feet (3/8" basis) of OSB annually, using the wood resources from Meadow Lake and surrounding area. The plant will operate 24 hours per day year-round and employ 126 people in the plant and contract a further 12 people in the wood yard and 130 in woodlands operations.

- Construction was completed on time and within budget in the fall of 2003.
- ML OSB started up operations in September of 2003 when OSB prices were at record highs, resulting in the mill generating positive income for the first four months of operations versus budgeted start-up losses.

Product used in the Meadow Lake OSB plant, Meadow Lake, Saskatchewan



2004 Outlook

- ML OSB is projecting a profit for 2004.
- The prices are expected to be strong throughout the first half of 2004, weakening in the last half of the year.
- The mill is still in start-up phase and therefore is not expected to produce to full capacity.

Key Factors Affecting Performance

- Market OSB prices.
- U.S./Canadian dollar exchange rate. A weaker Canadian dollar increases the price received.
- The mill is in the start-up phase and therefore start-up risk, while greatly reduced, still exists.
- Input costs such as resin and wood (including stumpage and reforestation costs).

Key Financial Data

Contribution to consolidated financial results:

earnings - $3.0 million
(2002 - n/a)

assets - $30.6 million
(2002 - $23.9 million)

Management's Discussion & Analysis

Profiles of Major Investments *(continued)*

Profile	2003 Results

Centennial Foods Partnership (Centennial)

Centennial is a value-added manufacturing and distribution business for meat, seafood and other related food products.

Centennial has production locations in Saskatoon and Calgary as well as foodservice operations across western Canada. Centennial employs 150 people at the Saskatoon facility.

- Centennial continued the conversion of its raw processing plant in Calgary to a cooked meats operation now that the Saskatoon hamburger plant is running at full capacity.
- Centennial achieved strong sales growth, and efficiency improvements, which resulted in a small net profit after experiencing a loss in 2002.

Centennial Foods production facility, Saskatoon, Saskatchewan

2004 Outlook

- Centennial expects improved operating results.
- Centennial will focus on increasing production and sales from its newly converted cooked meats production facility in Calgary.
- Bovine Spongiform Encephalopathy (BSE) or "Mad Cow" disease will continue to create challenges in the beef industry but Centennial hopes to regain access to U.S. markets.

Key Factors Affecting Performance

- Commodity protein prices for beef, and to a smaller degree, pork and poultry.
- Successful retro-fit and ramping up of production and sales at the Calgary cooked meats facility.
- Costs associated with maintaining quality control standards as prescribed by industry regulators and customers.
- Export market complexities due to BSE.
- Ability to source liquid gas refrigerants at competitive prices.

Key Financial Data

Contribution to consolidated financial results:

revenue - $80.3 million
(2002 - $69.6 million)

earnings - $0.4 million
(2002 - $1.4 million loss)

assets - $33.6 million
(2002 - $33.2 million)

Management's Discussion & Analysis

Profiles of Major Investments *(continued)*

Profile | **2003 Results**

Big Sky Farms Inc. (Big Sky)

Big Sky operates six large scale, three site, farrow-to-finish hog production facilities and two single site farrow-to-finish operations on 31 sites throughout Saskatchewan utilizing modern design and production methods. The company markets live hogs in Canada and the United States.

Big Sky currently has a breeding herd of approximately 28,000 sows capable of producing 650,000 market hogs annually.

Investment Saskatchewan Inc. has made equity investments in Big Sky costing $15.5 million representing a 41.2 per cent interest.

Big Sky has a total of 389 employees.

- Big Sky incurred a slight loss for 2003 due to low hog prices. Both the U.S./Canadian exchange rate and BSE had a negative impact on hog prices. BSE resulted in reduced slaughter capacity in Canada during the last half of 2003. In addition many Canadian slaughter facilities, as a result of low profitability, altered their pricing formulas for hogs negatively impacting hog producers.
- Big Sky completed its most recent breeder barn expansion bringing it into full production in late 2003. It also continued to focus its efforts on further improving production and operating efficiencies.

2004 Outlook

- 2004 is expected to be another challenging year for market hog producers. Continued pressure on pricing is expected due to the exchange rates and the market uncertainty in the pork industry.
- Market hog prices have started 2004 at relatively low levels, and are expected to trend modestly upward during 2004. There is much uncertainty in the North American hog market, with the Canadian market particularly challenged by production of hogs outpacing the growth of slaughter capacity, which could lead to ongoing issues with the U.S. To add to this uncertainty, the effects of BSE on pork pricing is unpredictable.

Key Factors Affecting Performance

- Market hog prices. Big Sky uses price hedges to reduce exposure to market fluctuations.
- U.S./Canada exchange rate. Hog prices are generally priced based on the U.S. hog market. A stronger Canadian dollar results in lower prices in Canadian dollars. Big Sky uses hedges to reduce its exposure to market fluctuations.
- Feed costs. Big Sky also uses price hedges to reduce exposure to market fluctuations in feed prices.
- Disease outbreaks can have a significant impact on results. Big Sky follows veterinary protocols to lessen the risk of disease. The use of "three site" production units also reduces the risk of disease related problems.

Key Financial Data

Contributions to consolidated financial results:

loss - $0.1 million
(2002 - $0.2 million)

assets - $16.5 million
(2002 - $16.6 million)

Big Sky Farms Inc. operates large scale hog production facilities throughout Saskatchewan

Management's Discussion & Analysis

(continued)

Five-Year Operational Review for Major Investments (At fiscal year end of the investment)	2003	2002	2001	2000	1999
Saskferco					
Number of permanent employees	**139**	139	138	132	133
Safety (lost time accidents)	**0**	0	0	0	0
Natural gas consumption (millions of gigajoules)	**23.4**	24.7	22.8	24.7	24
MLPLP					
Number of employees	**169**	167	192	191	195
Safety (lost time accidents)	**4**	2	6	1	3
Value of exports ($millions)	**146**	132	117	191	146
Volume of trees delivered (cubic metres)	**712,435**	948,108	714,407	852,404	986,147
ML OSB*					
Number of employees	**126**				
Safety (lost time accidents)	**0**				
Volume of trees delivered (cubic metres)	**232,726**				
Centennial**					
Total employees	**700**	650	575	525	
Saskatchewan employees	**150**	90	0	0	
CFIA approved processing plants	**3**	3	2	2	
Food service distribution facilities	**8**	8	8	8	
Big Sky					
Number of employees	**389**	277	230	160	103
Hogs sold	**510,054**	367,952	197,474	159,364	81,467
Volume of grain purchased (tonnes)	**169,727**	141,656	78,048	60,793	40,920

* ML OSB began operations in September 2003.

** Investment Saskatchewan's investment in Centennial Foods Partnership began in 2000, therefore, 1999 statistics are not presented. CFIA stands for Canadian Food Inspection Agency.

Management's Discussion & Analysis–Consolidated

Summary of Key Financial Results (Consolidated): for the year ended December 31 ($millions)	2003	2002
Net earnings	7.5	11.6
Total revenue	209.4	199.4
Total expenses	203.5	184.8
Recovery of (provision for) investment losses	1.4	(3.0)
Total investments	509.8	486.0
Due to CIC	190.2	179.2

Results of Operations (Consolidated)

This section focuses on significant changes in Investment Saskatchewan's consolidated financial results for the year ended December 31, 2003 as compared to the year ended December 31, 2002 and should be read in conjunction with the audited consolidated financial statements included in this annual report.

Despite turmoil in the Canadian livestock and meat industries related to BSE and low prices, and the negative impacts of the rising Canadian dollar on certain investment operations, Investment Saskatchewan Inc. had $7.5 million in net earnings (2002 - $11.6 million).

Consolidated revenue was $209.4 million which was $10.0 million higher than 2002 consolidated revenue of $199.4 million. This was due to higher sales of products and services and earnings from equity investments, partially offset by a loss on sale of investments and lower interest and other revenues.

Consolidated revenues from the sale of products and services increased $17.8 million to $196.4 million (2002 - $178.6 million). Revenue from beef related operations increased due to higher sales volumes. Pulp operations experienced higher revenues due to improved pulp prices and strong sales volumes. These favourable results were partially offset by decreased seed potato sales due to the strategic exit from that industry and poor market conditions for combined pork operations which experienced low demand and prices for slaughter and breeding stock due to Canadian consumer support for the beef industry and the negative impacts of the rising U.S./Canadian dollar.

Consolidated interest and other revenues decreased from $12.6 million in 2002 to $4.4 million in 2003. Interest revenue in 2002 included $8.3 million related to a HARO loan repayment. No repayments were received from HARO in 2003.

Consolidated earnings from equity investments increased $4.6 million to $9.1 million (2002 - $4.5 million). ML OSB began operations in September 2003 and, despite being in the start-up phase, experienced favourable production volumes and record prices for oriented strand board allowing Investment Saskatchewan to record $3.0 million in earnings

Management's Discussion & Analysis

(continued)

Five-Year Operational Review for Major Investments (At fiscal year end of the investment)

	2003	2002	2001	2000	1999
Saskferco					
Number of permanent employees	**139**	139	138	132	133
Safety (lost time accidents)	**0**	0	0	0	0
Natural gas consumption (millions of gigajoules)	**23.4**	24.7	22.8	24.7	24
MLPLP					
Number of employees	**169**	167	192	191	195
Safety (lost time accidents)	**4**	2	6	1	3
Value of exports ($millions)	**146**	132	117	191	146
Volume of trees delivered (cubic metres)	**712,435**	948,108	714,407	852,404	986,147
ML OSB*					
Number of employees	**126**				
Safety (lost time accidents)	**0**				
Volume of trees delivered (cubic metres)	**232,726**				
Centennial**					
Total employees	**700**	650	575	525	
Saskatchewan employees	**150**	90	0	0	
CFIA approved processing plants	**3**	3	2	2	
Food service distribution facilities	**8**	8	8	8	
Big Sky					
Number of employees	**389**	277	220	160	103
Hogs sold	**510,054**	367,952	197,474	159,364	81,467
Volume of grain purchased (tonnes)	**169,727**	141,656	78,048	60,793	40,920

* ML OSB began operations in September 2001.

** Investment Saskatchewan's investment in Centennial Foods Partnership began in 2000, therefore, 1999 statistics are not presented. CFIA stands for Canadian Food Inspection Agency.

Management's Discussion & Analysis–Consolidated

Summary of Key Financial Results (Consolidated):
for the year ended December 31 ($millions)

	2003	2002
Net earnings	7.5	11.6
Total revenue	209.4	199.4
Total expenses	203.5	184.8
Recovery of (provision for) investment losses	1.4	(3.0)
Total investments	509.8	486.0
Due to GIC	190.2	179.2

Results of Operations (Consolidated)

This section focuses on significant changes in Investment Saskatchewan's consolidated financial results for the year ended December 31, 2003 as compared to the year ended December 31, 2002 and should be read in conjunction with the audited consolidated financial statements included in this annual report.

Despite turmoil in the Canadian livestock and meat industries related to BSE and low prices, and the negative impacts of the rising Canadian dollar on certain investment operations, Investment Saskatchewan Inc. had $7.5 million in net earnings (2002 - $11.6 million).

Consolidated revenue was $209.4 million which was $10.0 million higher than 2002 consolidated revenue of $199.4 million. This was due to higher sales of products and services and earnings from equity investments, partially offset by a loss on sale of investments and lower interest and other revenues.

Consolidated revenues from the sale of products and services increased $17.8 million to $196.4 million (2002 - $178.6 million). Revenue from beef related operations increased due to higher sales volumes. Pulp operations experienced higher revenues due to improved pulp prices and strong sales volumes. These favourable results were partially offset by decreased seed potato sales due to the strategic exit from that industry and poor market conditions for combined pork operations which experienced low demand and prices for slaughter and breeding stock due to Canadian consumer support for the beef industry and the negative impacts of the rising U.S./Canadian dollar.

Consolidated interest and other revenues decreased from $12.6 million in 2002 to $4.4 million in 2003. Interest revenue in 2002 included $8.3 million related to a HARO loan repayment. No repayments were received from HARO in 2003.

Consolidated earnings from equity investments increased $4.6 million to $9.1 million (2002 - $4.5 million). MI OSB began operations in September 2003 and, despite being in the start-up phase, experienced favourable production volumes and record prices for oriented strand board allowing Investment Saskatchewan to record $3.0 million in earnings

Management's Discussion & Analysis–Consolidated
(continued)

from this investment. The Corporation also earned $0.7 million from the investment in SGI CANADA Insurance Services Ltd. in 2003 after recognizing a loss of $1.4 million in 2002. These favourable variances were partially offset by $0.9 million in increased losses from Western Life Sciences Venture Fund.

Non-recurring items include a loss on sale of investments of $0.5 million in 2003 versus a gain on sale of $3.6 million in 2002. The 2003 loss related to the disposition of the Corporation's investment in Farmgro Organic Foods Inc. while the 2002 gain was mainly due to a recovery on the sale of Great Western Brewing Company Ltd.

Consolidated expenses increased $18.7 million to $203.5 million (2002 - $184.8 million). Operating expenses increased $20.0 million to $189.8 million (2002 - $169.8 million) due primarily to increased expenses related to beef related operations which supported the above increase in beef-related revenues, new hog operations acquired, unfavourable hog market conditions, and higher foreign exchange losses on U.S. dollar denominated accounts receivable as a result of the increase in U.S./Canadian dollar exchange rates.

The Corporation realized a recovery of investment losses of $1.4 million in 2003 versus a provision for investment losses of $3.0 million in 2002, resulting in a year over year increase in net earnings of $4.4 million. There was a net recovery of $3.6 million (2002 - recovery of $3.0 million) related to loans, debentures and other advances. There were no provisions taken on the equity based investment portfolio in 2003 versus a $1.0 million provision in 2002. There were $2.2 million in provisions taken against portfolio investments in 2003 versus $5.0 million in 2002.

The non-interest bearing advances Due to CIC increased by $11.0 million to $190.2 million (2002 - $179.2 million). Subsequent to year end, CIC was authorized by Order in Council to convert the advances Due to CIC into common shares of Investment Saskatchewan. The conversion will be $10 per share to a maximum of 20.2 million shares.

Consolidated long-term debt (net of sinking funds) was $54.8 million (2002 - $51.9 million), an increase of $2.9 million. Consolidated long-term debt due within one year was $9.6 million (2002 - $5.4 million), an increase of $4.2 million.

Liquidity and Capital Resources (Consolidated)

Cash Flow Highlights
for the year ended December 31 ($millions)

	2003	2002
Cash provided by operations	$ 0.5	$ 17.7
Cash used in investing activities	(23.7)	(19.8)
Cash provided by financing activities	30.3	1.4
Increase (decrease) in cash position	$ 7.1	$ (0.7)

Management's Discussion & Analysis–Consolidated
(continued)

from this investment. The Corporation also earned $0.7 million from the investment in SGI CANADA Insurance Services Ltd. in 2003 after recognizing a loss of $1.4 million in 2002. These favourable variances were partially offset by $0.9 million in increased losses from Western Life Sciences Venture Fund.

Non-recurring items include a loss on sale of investments of $0.5 million in 2003 versus a gain on sale of $3.6 million in 2002. The 2003 loss related to the disposition of the Corporation's investment in Farmgro Organic Foods Inc. while the 2002 gain was mainly due to a recovery on the sale of Great Western Brewing Company Ltd.

Consolidated expenses increased $18.7 million to $203.5 million (2002 - $184.8 million). Operating expenses increased $20.0 million to $189.8 million (2002 - $169.8 million) due primarily to increased expenses related to beef related operations which supported the above increase in beef-related revenues, new hog operations acquired, unfavourable hog market conditions, and higher foreign exchange losses on U.S. dollar denominated accounts receivable as a result of the increase in U.S./Canadian dollar exchange rates.

The Corporation realized a recovery of investment losses of $1.4 million in 2003 versus a provision for investment losses of $3.0 million in 2002, resulting in a year over year increase in net earnings of $4.4 million. There was a net recovery of $3.6 million (2002 - recovery of $3.0 million) related to loans, debentures and other advances. There were no provisions taken on the equity based investment portfolio in 2003 versus a $1.0 million provision in 2002. There were $2.2 million in provisions taken against portfolio investments in 2003 versus $5.0 million in 2002.

The non-interest bearing advances Due to CIC increased by $11.0 million to $190.2 million (2002 - $179.2 million). Subsequent to year end, CIC was authorized by Order in Council to convert the advances Due to CIC into common shares of Investment Saskatchewan. The conversion will be $10 per share to a maximum of 20.2 million shares.

Consolidated long-term debt (net of sinking funds) was $54.8 million (2002 - $51.9 million), an increase of $2.9 million. Consolidated long-term debt due within one year was $9.6 million (2002 - $5.4 million), an increase of $4.2 million.

Liquidity and Capital Resources (Consolidated)

Cash Flow Highlights
for the year ended December 31 ($millions)

	2003	2002
Cash provided by operations	$ 0.5	$ 17.7
Cash used in investing activities	(23.7)	(19.8)
Cash provided by financing activities	30.3	1.4
Increase (decrease) in cash position	$ 7.1	$ (0.7)

Management's Discussion & Analysis–Consolidated
(continued)

Liquidity (Consolidated)

Investment Saskatchewan finances capital requirements though internally generated cash flow, cash returns from investments, a line of credit with the General Revenue Fund (GRF), and long-term borrowings from the GRF. Certain subsidiaries and joint ventures access financing through financial institutions. Covenants on certain long-term debt held by a joint venture were breached during 2003, resulting in a reclassification of $4.2 million of long-term debt as current. The GRF may borrow in capital markets on behalf of Investment Saskatchewan and has ample access to capital markets for anticipated borrowing requirements.

Operating, Investing and Financing Activities (Consolidated)

Cash provided by operations was $0.5 million (2002 - $17.7 million). The $17.2 million decrease from 2002 was primarily due to changes in non-cash working capital balances.

The Corporation spent $23.7 million in investing activities in 2003 (2002 - $19.8 million). Major investments in 2003 include: $6.0 million in increased loan disbursements, $5.0 million to Prairie Ventures Limited Partnership, $3.8 million to ML OSB related to construction of an oriented strand board facility, and a $2.0 million portfolio investment in Pangaea Systems Inc.

The Corporation received $30.3 million in cash from financing activities (2002 - $1.4 million). Major components of 2003 financing activities include: $15.3 million in long-term debt transferred from CIC, an $11.0 increase in Due to CIC as well as a $6.8 million increase in bank indebtedness related to the pulp mill capital expansion which is expected to increase pulp capacity and improve quality.

Management's Discussion & Analysis– Non-Consolidated

Results of Operations (Non-Consolidated)

This section focuses on significant changes in Investment Saskatchewan's non-consolidated financial results for the year ended December 31, 2003 as compared to the year ended December 31, 2002 and should be read in conjunction with the audited non-consolidated financial statements included in this annual report.

Summary of Key Financial Results (Non-Consolidated): for the year ended December 31 ($millions)

	5 year Total	2003	2002	2001	2000	1999
Net earnings (loss)	68.7	**7.5**	11.6	(15.7)	22.0	43.3
Total revenue	82.4	**6.6**	15.7	(12.2)	27.0	45.3
Interest and other revenue	48.5	**2.2**	11.2	14.8	12.6	7.7
Earnings from investments - equity basis	3.6	**4.9**	0.9	(27.0)	17.9	6.9
(Loss) gain on sale of investments	30.2	**(0.5)**	3.6	0.0	(3.5)	30.6
Recovery of (provision for) investment losses	(7.6)	**3.9**	(3.0)	(3.3)	(3.8)	(1.4)
Total investments	N/A	**605.0**	576.8	550.3	630.5	551.5
Reinvested earnings	N/A	**60.6**	53.1	53.1	68.8	46.8
Cash investments	215.4	**31.0**	65.7	26.2	73.8	18.7
Net cash to (from) CIC	385.0	**(11.0)**	(14.3)	61.3	(52.7)	401.7
Return on equity (ROE) (%)	3.5	**1.9**	3.0	(3.9)	5.5	11.9

Despite turmoil in the Canadian livestock and meat industries related to BSE and low prices, and the negative impacts of the rising Canadian dollar on investment operations, Investment Saskatchewan recorded $7.5 million in net earnings (2002 - $11.6 million).

Non-consolidated revenue was $6.6 million which was $9.1 million lower than 2002 non-consolidated revenue of $15.7 million due to lower interest and other income and a loss on sale of investments, partially offset by improved earnings from equity based investments.

Non-consolidated interest and other revenues decreased from $11.2 million in 2002 to $2.2 million in 2003. Interest revenue in 2002 included $8.3 million related to a HARO loan repayment. No repayments were received from HARO in 2003.

Non-consolidated earnings from equity based investments increased $4.0 million to $4.9 million (2002 - $0.9 million). ML OSB began operations in September 2003, and, despite being in the start-up phase, experienced favourable production volumes and record prices for oriented strand board allowing Investment Saskatchewan Inc. to record $3.0 million in earnings from the investment in CIC OSB Products Inc. The Corporation also earned $0.7 million from the investment in SGI CANADA Insurance Services Ltd. in 2003 after recognizing a loss of $1.4 million in 2002. The Corporation realized $0.4 million from CIC Foods Inc. in 2003 versus a loss of $1.4 million in 2002 mainly due to Centennial's higher sales volumes. The Corporation realized 2003 earnings of $0.9 million from CIC Pulp Ltd. versus a loss of $2.3 million in 2002 due to MLPLP's improved pulp

Management's Discussion & Analysis– Non-Consolidated

Results of Operations (Non-Consolidated)

This section focuses on significant changes in Investment Saskatchewan's non-consolidated financial results for the year ended December 31, 2003 as compared to the year ended December 31, 2002 and should be read in conjunction with the audited non-consolidated financial statements included in this annual report.

Summary of Key Financial Results (Non-Consolidated): for the year ended December 31 ($millions)

	5 year Total	2003	2002	2001	2000	1999
Net earnings (loss)	68.7	**7.5**	11.6	(15.7)	22.0	43.3
Total revenue	82.4	**6.6**	15.7	(12.2)	27.0	45.3
Interest and other revenue	48.5	**2.2**	11.2	14.8	12.6	7.7
Earnings from investments - equity basis	3.6	**4.9**	0.9	(27.0)	17.9	6.9
(Loss) gain on sale of investments	30.2	**(0.5)**	3.6	0.0	(3.5)	30.6
Recovery of (provision for) investment losses	(7.6)	**3.9**	(3.0)	(3.3)	(3.8)	(1.4)
Total investments	N/A	**605.0**	576.8	550.3	630.5	551.5
Reinvested earnings	N/A	**60.6**	53.1	53.1	68.8	46.8
Cash investments	215.4	**31.0**	65.7	26.2	73.8	18.7
Net cash to (from) CIC	385.0	**(11.0)**	(14.3)	61.3	(52.7)	401.7
Return on equity (ROE) (%)	3.5	**1.9**	3.0	(3.9)	5.5	11.9

Despite turmoil in the Canadian livestock and meat industries related to BSE and low prices, and the negative impacts of the rising Canadian dollar on investment operations, Investment Saskatchewan recorded $7.5 million in net earnings (2002 - $11.6 million).

Non-consolidated revenue was $6.6 million which was $9.1 million lower than 2002 non-consolidated revenue of $15.7 million due to lower interest and other income and a loss on sale of investments, partially offset by improved earnings from equity based investments.

Non-consolidated interest and other revenues decreased from $11.2 million in 2002 to $2.2 million in 2003. Interest revenue in 2002 included $8.3 million related to a HARO loan repayment. No repayments were received from HARO in 2003.

Non-consolidated earnings from equity based investments increased $4.0 million to $4.9 million (2002 - $0.9 million). ML OSB began operations in September 2003, and, despite being in the start-up phase, experienced favourable production volumes and record prices for oriented strand board allowing Investment Saskatchewan Inc. to record $3.0 million in earnings from the investment in CIC OSB Products Inc. The Corporation also earned $0.7 million from the investment in SGI CANADA Insurance Services Ltd. in 2003 after recognizing a loss of $1.4 million in 2002. The Corporation realized $0.4 million from CIC Foods Inc. in 2003 versus a loss of $1.4 million in 2002 mainly due to Centennial's higher sales volumes. The Corporation realized 2003 earnings of $0.9 million from CIC Pulp Ltd. versus a loss of $2.3 million in 2002 due to MLPLP's improved pulp

Management's Discussion & Analysis– Non-Consolidated *(continued)*

prices and strong sales volumes. These favourable results were partially offset by an increase of $2.1 million in combined pork related investment losses due to poor market conditions including low demand and prices for slaughter and breeding stock due to Canadian consumer support for the beef industry and the negative impacts of the rising Canadian versus U.S. dollar. The Corporation incurred a $3.4 million increase in losses from fund investments due mainly to provisions taken on various underlying small dollar value loans and portfolio investments.

Non-recurring items include a loss on sale of investments of $0.5 million in 2003 versus a gain on sale of $3.6 million in 2002. The 2003 loss related to the disposition of the Corporation's investment in Farmgro Organic Foods Inc., while the 2002 gain was mainly due to a recovery on the sale of Great Western Brewing Company Ltd.

Total non-consolidated expenses increased $1.9 million to $3.0 million (2002 - $1.1 million). The 2002 expenses consisted entirely of property expenses. Prior to October 2003 general administration expenses were paid by CIC. The remaining variance is therefore due to expenses paid directly by Investment Saskatchewan for the period October to December 2003.

On a non-consolidated basis, the Corporation realized a recovery of investment losses of $3.9 million in 2003 versus a provision for investment losses of $3.0 million in 2002 resulting in a year over year increase in net earnings of $6.9 million. There was a net recovery of $4.9 million (2002 - net recovery of $3.0 million) related to loans, debentures and other advances. There were no provisions taken on the equity based investment portfolio in 2003 versus a $1.0 million provision in 2002. There was $1.1 million in provisions taken against portfolio investments in 2003 versus $5.0 million in 2002.

The non-interest bearing advances Due to CIC increased by $11.0 million to $190.2 million (2002 - $179.2 million). Subsequent to year end, CIC was authorized by Order in Council to convert the advances Due to CIC into common shares of Investment Saskatchewan. The conversion will be $10 per share to a maximum of 20.2 million shares.

Non-consolidated long-term debt (net of sinking funds) was $15.3 million (2002 - $Nil). The increase is due to $15.3 million in long-term debt transferred from CIC.

Management's Discussion & Analysis– Non-Consolidated *(continued)*

Liquidity and Capital Resources (Non-Consolidated)

Cash Flow Highlights
for the year ended December 31 ($millions)

	2003	2002
Cash (used in) provided by operations	$ (0.9)	$ 10.2
Cash used in investing activities	(22.0)	(24.5)
Cash provided by financing activities	26.3	14.3
Increase in cash position, end of year	$ 3.4	$ -

Liquidity (Non-Consolidated)

Investment Saskatchewan finances capital requirements through cash returns from investments, a line of credit with the GRF and long-term borrowings from GRF. The GRF borrows in capital markets on behalf of all Crown corporations and has ample access to capital markets for anticipated borrowing requirements.

Operating, Investing and Financing Activities (Non-Consolidated)

Cash used in operating activities was $0.9 million (2002 - cash provided by operating activities - $10.2 million). The $11.1 million decrease from 2002 was primarily due to increases in non-cash operating items and changes in non-cash working capital balances.

On a non-consolidated basis, the Corporation had $22.0 million in cash outflows related to investing activities in 2003 (2002 - $24.5 million). Major investments in 2003 include $5.4 million in increased loan disbursements, $5.0 million to CIC PVF Holdings Inc., $3.8 million to CIC OSB Products Inc. related to the construction of an oriented strand board facility, a $3.0 million increase in due from CIC FTLP Holdings Inc., a $2.2 million purchase of Genex Swine Group Inc. shares, and a $2.0 million portfolio investment in Pangaea Systems Inc.

The Corporation received $26.3 million in cash from financing activities (2002 - $14.3 million). Components of 2003 financing activities include $15.3 million in long-term debt transferred from CIC and an $11.0 increase in Due to CIC.

Debt Management

As at December 31, 2003, the majority of debt used to finance investments has been advanced by CIC. This debt is non-interest bearing and due at the discretion of CIC. Subsequent to year end, CIC was authorized by Order in Council to convert these advances into common shares of Investment Saskatchewan. The conversion will be $10 per share to a maximum of 20.2 million shares. After this conversion, the Corporation will be almost entirely equity financed. Remaining debt with Investment Saskatchewan at December 31, 2003, consists of $15.3 million (net of sinking funds) due to the GRF. This debt is self-supporting since there is a high degree of certainty that the amount and timing

Management's Discussion & Analysis– Non-Consolidated *(continued)*

Liquidity and Capital Resources (Non-Consolidated)

Cash Flow Highlights For the year ended December 31 ($ millions)	2003	2002
Cash (used in) provided by operations	$ (0.9)	$ 10.2
Cash used in investing activities	(22.0)	(24.5)
Cash provided by financing activities	26.3	14.3
Increase in cash position, end of year	$ 3.4	$ -

Liquidity (Non-Consolidated)

Investment Saskatchewan finances capital requirements through cash returns from investments, a line of credit with the GRF and long-term borrowings from GRF. The GRF borrows in capital markets on behalf of all Crown corporations and has ample access to capital markets for anticipated borrowing requirements.

Operating, Investing and Financing Activities (Non-Consolidated)

Cash used in operating activities was $0.9 million (2002 - cash provided by operating activities - $10.2 million). The $11.1 million decrease from 2002 was primarily due to increases in non-cash operating items and changes in non-cash working capital balances.

On a non-consolidated basis, the Corporation had $22.0 million in cash outflows related to investing activities in 2003 (2002 - $24.5 million). Major investments in 2003 include $5.4 million in increased loan disbursements, $5.0 million to CIC PVF Holdings Inc., $3.8 million to CIC OSB Products Inc. related to the construction of an oriented strand board facility, a $3.0 million increase in due from CIC FTLP Holdings Inc., a $2.2 million purchase of Genex Swine Group Inc. shares, and a $2.0 million portfolio investment in Pangaea Systems Inc.

The Corporation received $26.3 million in cash from financing activities (2002 - $14.3 million). Components of 2003 financing activities include $15.3 million in long-term debt transferred from CIC and an $11.0 increase in Due to CIC.

Debt Management

As at December 31, 2003, the majority of debt used to finance investments has been advanced by CIC. This debt is non-interest bearing and due at the discretion of CIC. Subsequent to year end, CIC was authorized by Order in Council to convert these advances into common shares of Investment Saskatchewan. The conversion will be $10 per share to a maximum of 20.2 million shares. After this conversion, the Corporation will be almost entirely equity financed. Remaining debt with Investment Saskatchewan at December 31, 2003, consists of $15.3 million (net of sinking funds) due to the GRF. This debt is self-supporting since there is a high degree of certainty that the amount and timing

Management's Discussion & Analysis– Non-Consolidated *(continued)*

of underlying investment cash flows will service this debt at maturity. As a Crown corporation separate from CIC, Investment Saskatchewan will actively manage cash flows and borrowing requirements. In 2004, Investment Saskatchewan Inc. anticipates being self-supporting through cash flows from investments. However, due to the timing of cash receipts from investments versus new investment and operating expense funding requirements, the Corporation may periodically need to initiate draws on the operating line of credit with the Saskatchewan Department of Finance.

Risk Management

Investments and related risks are diligently monitored on an ongoing basis by experienced investment managers with training and expertise in the industry, with periodic reporting and recommendations to the Executive and the Board of Directors on investment returns, risks and investment strategy including investment retention or sale. Investment Saskatchewan regularly assesses the appropriateness of the carrying value for investments, and writes down an investment if management determines that a permanent impairment exists. The Corporation plans to review the risk management framework in 2004.

Outlook and Key Factors Affecting Performance

Investment Saskatchewan's outlook related to investment values, earnings and cash flow performance, as well as dividend paying and self-supporting abilities are highly dependent on the performance and management of the underlying investment portfolio. The 2004 outlook and key factors impacting Investment Saskatchewan's major investments are profiled on pages 28-33.

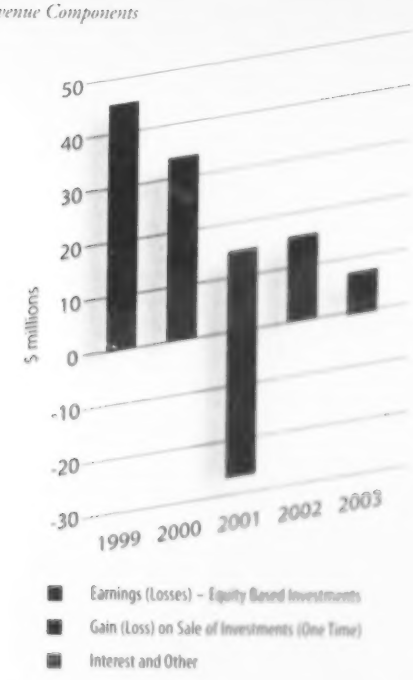
The Corporation undertook extensive valuation reviews of investments as at December 31, 2003 resulting in certain recoveries and provisions at that time. Management plans quarterly valuations throughout 2004. In particular, management will be closely monitoring the impacts of BSE and market conditions on the beef and pork industries for possible impairment of investments held in those sectors and will take provisions if required.

Investment Saskatchewan is cautiously optimistic that it will maintain earnings at or above 2003 levels, despite anticipated challenges faced by major investments.

Should suitable opportunities arise, Investment Saskatchewan anticipates a further $50 million in investments in 2004.

Depending on receipt of cash flows from investments, in particular anticipated cash flows from HARO, and the timing of and value of investment opportunities, Investment Saskatchewan anticipates being self-supporting in cash requirements, and declaring a dividend to CIC in 2004.

Revenue Components



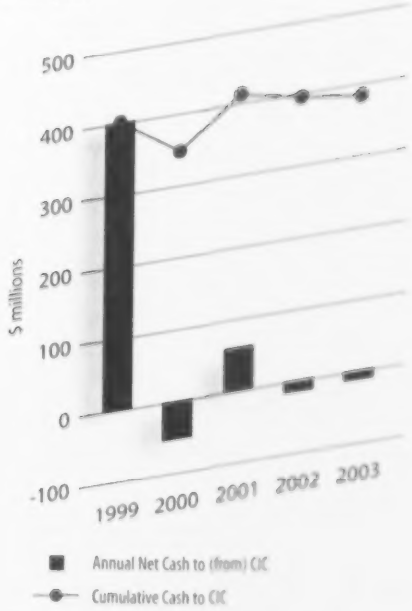
Revenue Components

On a non-consolidated basis, Investment Saskatchewan has realized $82.4 million of revenue over the last five years. This graph shows one-time gains or losses on sales of investments over the last five years as well as ongoing revenues from equity based investments and interest and other revenue. The wide fluctuations in earnings from equity based investments demonstrate how Investment Saskatchewan's performance is closely tied to the performance of the underlying investment portfolio.

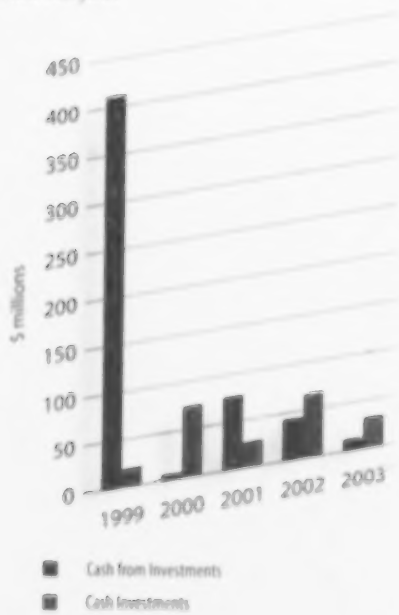
Cashflows

On a non-consolidated basis, over the past five years, Investment Saskatchewan has received $544.4 million in cash from dividends, repayments and sale of investments, while making additional investments of $215.4 million. Over that same time period, the Corporation paid cumulative cash to CIC in the form of dividends of $11.6 million and reductions in the due to CIC balance of $373.4 million.

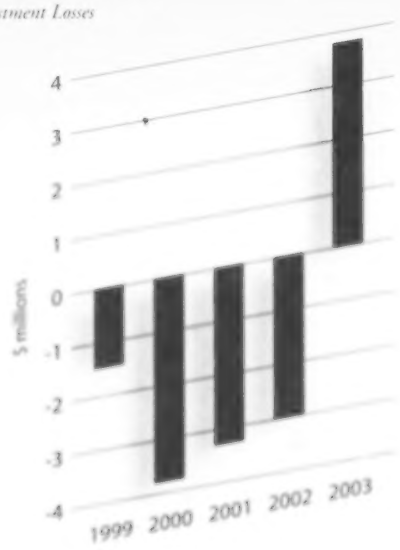
CIC Cashflows



Investment Cashflows



(Provision for) Recovery of Investment Losses



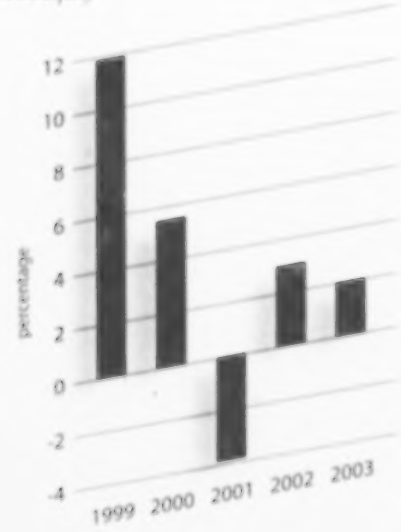
(Provision for) Recovery of Investment Losses

Investment Saskatchewan's non-consolidated investment portfolio has grown from $551.5 million in 1999 to $605.0 million in 2003, an increase of 10% over the last 5 years. Over that same time frame, and despite growth in the portfolio, only a cumulative $7.6 million in net provisions for investment losses was taken, including a recovery of $3.9 million realized in 2003.

Return on Equity

Non-consolidated return on equity is the ratio of net earnings (losses) to the average amount of shareholder's equity. General administration expenses were paid by CIC prior to October 1, 2003. Net earnings (losses) include these expenses starting in October, 2003. Equity includes share capital and reinvested earnings. Return on equity decreased from 3.0% in 2002 to 1.9% in 2003 due to $4.1 million lower net income in 2003 versus 2002.

Return on Equity



Investment Saskatchewan Inc.

Consolidated

Financial Statements

Responsibility for Financial Statements

The management of Investment Saskatchewan Inc. is responsible for the integrity of the accompanying consolidated financial statements and all other information contained in this Annual Report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, that are applied on a consistent basis, and include amounts based on management's informed judgments and estimates. Financial information included elsewhere in this Annual Report is consistent with the consolidated financial statements.

The Corporation's Board of Directors (the Board) is responsible for overseeing the business and affairs of the Corporation. The Board, through its Audit and Finance Committee (the Committee), is responsible for ensuring that management fulfills its financial reporting responsibilities. The Committee is composed of independent directors who are not employees of the Corporation. The Committee reviews Management's Discussion & Analysis included in this Annual Report and meets regularly with management, external auditors and the Provincial Auditor of Saskatchewan to discuss internal controls, accounting, auditing and financial matters. The Committee reports its findings to the Board for its consideration in approving the consolidated financial statements.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal control systems ensure that transactions are executed in accordance with proper authorization; that the financial information is relevant, reliable, and accurate; and that assets are appropriately accounted for and adequately safeguarded. The Provincial Auditor of Saskatchewan has reported that these controls are adequately functioning.

The consolidated financial statements have been audited by KPMG LLP, as appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan. Their report to the members of the Legislative Assembly, stating the scope of their examination and opinion on the consolidated financial statements, appears on page 46.

Maurice Delage

Acting President and CEO

John Amundson, CA

Acting Controller

FEBRUARY 19, 2004

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the consolidated statement of financial position of **Investment Saskatchewan Inc. (formerly CIC Industrial Interests Inc.)** as at December 31, 2003 and the consolidated statements of operations and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

FEBRUARY 19, 2004

Consolidated Statement of Financial Position

As at December 31

(THOUSANDS)

	2003	2002
ASSETS		
Current		
Cash and short-term investments	$ 7,970	$ 867
Interest and dividends receivable	1,188	12
Accounts receivable	24,737	20,939
Inventories	33,739	32,461
Prepaid expenses	2,383	2,771
	70,017	57,050
Investments *(Note 4)*	509,814	486,013
Property, plant and equipment *(Note 5)*	102,908	112,246
Other assets *(Note 6)*	8,510	8,373
	$ 691,249	$ 663,682
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Bank indebtedness *(Note 7)*	$ 13,395	$ 6,547
Due to Crown Investments Corporation of Saskatchewan (CIC) *(Note 8)*	190,194	179,213
Accounts payable and accrued liabilities	22,526	23,971
Long-term debt due within one year *(Note 9)*	9,582	5,376
	235,697	215,107
Long-term debt *(Note 9)*	54,838	51,884
Deferred revenue	-	1,425
	290,535	268,416
Non-controlling interest	102	2,148
Shareholder's Equity		
Share capital *(Note 10)*	340,000	340,000
Reinvested earnings	60,612	53,118
	400,612	393,118
	$ 691,249	$ 663,682

Commitments and contingencies *(Note 11)*

(See accompanying notes)

ON BEHALF OF THE BOARD

Susan Milburn
Director

Paul Martin
Director

Consolidated Statement of Operations and Reinvested Earnings

For the Year Ended December 31

(THOUSANDS)

	2003	2002
REVENUES		
Sale of products and services	$ 196,376	$ 178,648
Interest and other	4,449	12,584
Earnings from equity investments *(Note 4(l))*	9,085	4,518
(Loss) gain on sale of investments	(526)	3,624
	209,384	199,374
EXPENSES		
Operating expenses	189,767	169,813
Amortization	8,723	9,909
Interest expense	4,983	5,063
	203,473	184,785
EARNINGS BEFORE THE FOLLOWING	5,911	14,589
Recovery of (provision for) investment losses *(Note 4(m))*	1,358	(3,043)
Non-controlling interest	225	77
NET EARNINGS	7,494	11,623
REINVESTED EARNINGS, BEGINNING OF YEAR	53,118	53,118
DIVIDEND TO CIC	-	(11,623)
REINVESTED EARNINGS, END OF YEAR	$ 60,612	$ 53,118

(See accompanying notes)

Consolidated Statement of Cash Flows

For the Year Ended December 31

(THOUSANDS)

	2003	2002
OPERATING ACTIVITIES		
Net earnings	$ 7,494	$ 11,623
Dividends from equity investments	2,065	1,015
Items not affecting cash from operations *(Note 12)*	(1,762)	1,124
	7,797	13,762
Net change in non-cash working capital balances related to operations *(Note 13)*	(7,307)	3,898
Cash provided by operating activities	490	17,660
INVESTING ACTIVITIES		
Purchase of investments	(25,654)	(61,297)
Purchase of property, plant and equipment	(8,838)	(6,967)
Proceeds from sale of property, plant and equipment	429	5,014
Proceeds from collection and sale of investments	10,365	42,688
Other investment repayments and distributions	-	721
Cash used in investing activities	(23,698)	(19,841)
FINANCING ACTIVITIES		
Decrease in long-term debt	(5,255)	(13,644)
Dividend to CIC	-	(11,623)
Increase in due to CIC	10,981	25,918
Proceeds from long-term debt	17,737	9,128
Increase (decrease) in bank indebtedness	6,848	(8,327)
Cash provided by financing activities	30,311	1,452
NET CHANGE IN CASH POSITION	7,103	(729)
CASH POSITION, BEGINNING OF YEAR	867	1,596
CASH POSITION, END OF YEAR	$ 7,970	$ 867

(See accompanying notes)

Notes to Consolidated Financial Statements

December 31, 2003

1. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the accounting policies summarized below:

a) Consolidation principles and basis of presentation

These consolidated financial statements include the accounts of Investment Saskatchewan Inc. (formerly CIC Industrial Interests Inc.) and its subsidiaries:

CIC Pulp Ltd.
CIC Foods Inc.
CIC OSB Products Inc.
CIC PVF Holdings Inc. (formerly CIC Ventures Inc.)
CIC WLSVF Holdings Inc. (formerly 101026817 Saskatchewan Ltd.)
CIC Swine Genetics Holdings Inc.
Genex Swine Group Inc. (Genex)
PCF Investments Ltd. (PCF)
WTC Investments Ltd. (WTC)
Saskatchewan Valley Potato Corporation (SVPC)
CIC FTLP Holdings Inc. (formerly 101012875 Saskatchewan Ltd.)
CIC FTMI Holdings Inc. (formerly 101012876 Saskatchewan Ltd.)

All material inter-company transactions have been eliminated on consolidation.

These consolidated financial statements also include cost and equity based investments held by Investment Saskatchewan Inc. as described in Note 1(d), and joint venture interests as described in Note 1(e).

Separate audited non-consolidated financial statements have been prepared to show the financial position, results of operations and cash flows for the Investment Saskatchewan corporate entity.

Throughout these financial statements the phrase "the Corporation" is used to collectively describe the activities of the consolidated entity.

b) Fiscal year

These consolidated financial statements are presented as at December 31 and include the results of Centennial Foods Partnership as at its year end November 2. All other investments are included as at December 31.

c) Inventories

Inventories are valued at the lower of cost, determined on a first in, first out basis, and net realizable value.

Notes to Consolidated Financial Statements

December 31, 2003

1. Summary of significant accounting policies (continued)

d) Investments

Investments in the form of debentures, loans and other advances are recorded at cost.

Where the Corporation has investments over which it exercises significant influence other than joint control, the investments are accounted for using the equity method. The Corporation's investment is initially recorded at cost and is adjusted for its share of investee net earnings or losses, and reduced by dividends received or receivable.

Investments in which the Corporation does not exercise significant influence, are recorded at cost, with dividends from these investments recorded as income when received or receivable.

Investments in properties held for sale are recorded at the lower of cost and net realizable value.

Where there has been a decline in the value of a share investment that is not considered temporary, the investment is written down to its fair value.

e) Joint ventures

The Corporation has accounted for its joint venture interests using the proportionate consolidation method. The consolidated financial statements therefore include the Corporation's proportionate share of the book value of the assets, liabilities, revenues, expenses, and cash flows of joint venture interests.

The Corporation's share of jointly controlled enterprises included in the consolidated financial statements is as follows:

Meadow Lake Pulp Limited Partnership (MLPLP)	**50%**
Hypor LP	**50%**
Hypor B.V.	**50%**
Centennial Foods Partnership (Centennial Foods)	**35%**
Foragen Technologies Limited Partnership (Foragen)	**33%**

f) Property, plant and equipment

Property, plant and equipment are recorded at cost.

When property, plant and equipment are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Consolidated Statement of Operations and Reinvested Earnings.

g) Sinking funds

Sinking funds are valued at amortized cost. When there has been a decline in the value of the investment of the sinking fund that is not considered temporary, the investment is written down to its fair value.

Notes to Consolidated Financial Statements

December 31, 2003

1. Summary of significant accounting policies (continued)

h) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Corporation's reporting units that are expected to benefit from the synergies of the combination. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets may be impaired. The Corporation identifies goodwill impairment by comparing the fair value of its reporting units to their carrying amounts. Fair values of reporting units are calculated using industry specific valuation methods which include the discounted cash flow, earnings multiple and market comparability approaches. Any goodwill impairment is recorded as a charge against earnings in the year the impairment is recognized.

i) Amortization

Amortization of property, plant and equipment is primarily recorded on the straight-line basis over the estimated productive life of each asset.

j) Revenue recognition

Revenue from the sale of products is recognized when goods are shipped and title has passed to the customer.

Revenue from the provision of services is recognized as the services are provided.

Interest earned on investments is recognized on the accrual basis except where uncertainty exists as to ultimate collection. When collectibility of interest is not reasonably assured, interest income is recorded when cash is received. Interest owing to the Corporation is recorded as accrued interest receivable with amounts not eligible for recognition as revenue offset by deferred interest income.

Notes to Consolidated Financial Statements

December 31, 2003

1. Summary of significant accounting policies (continued)

k) Financial instruments

In the ordinary course of business, the Corporation uses foreign currency financial instruments to manage its exposure to fluctuations in foreign exchange rates. When entered into, these financial instruments are designated as hedges of anticipated transactions. Under hedge accounting, gains or losses on such financial instruments are recorded in the same period as the underlying items hedged.

l) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the exchange rate in effect on the balance sheet date. Revenues and expenses resulting from foreign currency transactions are translated using average exchange rates. Any resulting foreign currency translation gains and losses are included in the Consolidated Statement of Operations and Reinvested Earnings in the current period.

The financial statements of the Corporation's foreign operations are translated using the current rate method, under which assets and liabilities are translated at the exchange rate prevailing at year end, and revenues and expenses at average exchange rates during the year.

m) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and disclosed amounts for contingent liabilities. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

2. Status of the Corporation

Investment Saskatchewan Inc. was incorporated under **The Business Corporations Act (Saskatchewan)** on November 14, 1979 as a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a Provincial Crown corporation. Effective September 3, 2003 by Order in Council 700/2003, which made effective **The Crown Corporation Amendment Regulations, 1993**, the Corporation was designated a CIC Crown corporation to which the provisions of **The Crown Corporations Act, 1993** apply. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes. Certain of the Corporation's investments are subject to Federal and Provincial income taxes.

Notes to Consolidated Financial Statements

December 31, 2003

3. Significant transactions

a) Pursuant to Order in Council 399/2003, dated May 27, 2003, the following transactions were undertaken:

i) the Corporation incorporated a wholly-owned subsidiary, CIC Swine Genetics Holdings Inc.;

ii) CIC Swine Genetics Holdings Inc. incorporated two wholly-owned subsidiaries, CIC Swine Genetics Inc. and CIC Swine Genetics (NL) B.V.;

iii) CIC Swine Genetics Inc. entered into a merger agreement with Nutreco International B.V., whereby it holds a 50.0 per cent interest in Hypor LP with operations in Canada;

iv) CIC Swine Genetics (NL) B.V. entered into a merger agreement with Nutreco International B.V., whereby it holds a 50.0 per cent interest in Hypor B.V. with operations primarily in the Netherlands, Belgium and Italy and a 47.4 per cent interest in Euribrid Espana S.A. with operations in Spain; and,

v) in October 2003 the Corporation acquired, from the minority shareholders, all the outstanding Genex Class A common and Class B preferred shares for total consideration of $2.2 million. Also in October 2003, the Corporation converted all Genex preferred share holdings to common shares on a one-to-one basis. As a result of the merger transaction, the Corporation transferred its investment in Genex to CIC Swine Genetics Holdings Inc. at a book value of $10.9 million, and redeemed and cancelled 5,647,470 common shares of Genex, leaving the Corporation with 100 common shares of Genex at a cost of $163.

The above operating entities carry on the business of the research, development, production, marketing and sale of pigs and other swine genetic material.

b) Pursuant to Order in Council 645/2003, dated September 1, 2003, the Corporation incorporated a wholly-owned subsidiary, PCF Investments Ltd. (PCF) to hold certain investments individually valued at less than $3 million.

c) Pursuant to Order in Council 645/2003, dated September 1, 2003, the Corporation incorporated a wholly-owned subsidiary, WTC Investments Ltd. (WTC) to hold certain investments individually valued at less than $3 million.

Notes to Consolidated Financial Statements

December 31, 2003

4. Investments

(THOUSANDS)

	PERCENTAGE OWNERSHIP	2003	2002
Debentures, Loans and Other Advances			
HARO Financial Corporation (HARO):			
Term loan (a)		$ 331,777	$ 319,505
Interest receivable on term loan		6,099	886
Less: Deferred interest		(198,847)	(181,362)
		139,029	139,029
68,000,000 Class B non-voting common shares (b)		68,000	68,000
		207,029	207,029
MLPLP:			
Loans receivable (c)		49,188	48,181
Other loans receivable:			
Loan principal receivable (d)		37,772	39,118
Loan interest and cost receivable		255	1,386
Lease options		1,328	1,566
Less: Provision for loan losses		(10,224)	(15,616)
		29,131	26,454
		285,348	281,664
Equity Investments			
Saskferco Products Inc. (Saskferco) (e)	49.0%	120,188	116,055
Meadow Lake OSB Limited Partnership (ML OSB) (f)	25.0%	30,614	23,856
Big Sky Farms Inc. (Big Sky) (g)	41.2%	16,455	16,598
Prairie Ventures Limited Partnership (PVF) (h)	57.5%	10,131	5,000
Western Life Sciences Venture Fund Limited Partnership (WLS) (i)	22.2%	2,698	2,397

Notes to Consolidated Financial Statements

December 31, 2003

4. Investments (continued)

(THOUSANDS)

	PERCENTAGE OWNERSHIP	2003	2002
Other equity investments		2,983	3,424
		183,069	167,330
Portfolio Investments			
Premium Brands Inc.		15,000	15,000
Primaxis Technology Ventures Incorporated		5,000	5,000
Other		15,275	11,510
		35,275	31,510
Property Holdings (j)		6,122	5,509
		$ 509,814	$ 486,013

a) In 1992, the Corporation entered into a Term Loan Agreement with HARO. The Term Loan was for an initial five-year term with a maximum of four five-year renewal terms at the option of HARO. The Corporation agreed to renew this loan for a third five-year term in 2002. Annual interest rates on the Term Loan are fixed at the commencement of each five-year renewal term using the five-year Saskatchewan Bond rate plus 1 per cent. For the third five-year term, the interest rate on the loan is 5.50 per cent compounded annually.

Security for the Term Loan is 100 per cent of HARO's assets, which as of December 31, 2003 consist primarily of HARO's 65.2 per cent interest in Crown Life Insurance Company (Crown Life) shares.

Repayment of principal and interest is subject to available cash flow as defined in the loan agreement. HARO's main source of cash is distributions from Crown Life. Due to the uncertainty surrounding such cash flows, the Corporation has deferred recording interest income on the Term Loan until such time as cash is received from HARO. The Corporation's total interest deferred and owing at December 31, 2003, is $198.8 million (2002 - $181.4 million).

All unpaid principal and interest is due on December 15, 2017. On that date, any amounts outstanding will convert to 100 per cent of HARO equity shares. The Corporation has a unilateral right prior to December 15, 2017, to convert no less than 25 per cent of the loan to either HARO non-voting, HARO voting or Crown Life shares. Any conversion may be subject to regulatory approval by the Office of the Superintendent of Financial Institutions.

Notes to Consolidated Financial Statements

December 31, 2003

4. Investments (continued)

b) Ownership of 68,000,000 of HARO's Class B non-voting common shares entitles the Corporation to a maximum of 100 per cent participation rights with respect to dividends and remaining property of HARO on its liquidation or dissolution. Subject to regulatory approval, the Corporation has a unilateral right to exchange at any time the Class B shares for voting shares or HARO's assets.

c) The Corporation has made the following loans to MLPLP:

- Participating Debenture of $79.5 million bearing interest at a fixed rate of 11.15 per cent, calculated on October 31 each year. Due to uncertainty of cash flows, an allowance for investment losses of $60.0 million (2002 - $60.0 million) related to the Participating Debenture has been recorded resulting in a net balance of $19.5 million (2002 - $19.5 million).
- Term Loan ($10.0 million) bearing interest at prime plus 2 per cent, or 6.5 per cent at December 31, 2003 (2002 - 6.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.
- Contingency Loan ($5.5 million) bearing interest at prime plus 1 per cent, or 5.5 per cent at December 31, 2003 (2002 - 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.
- Guarantee Advance ($4.0 million) bearing interest at prime plus 1 per cent, or 5.5 per cent at December 31, 2003 (2002 - 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.
- Cash Flow Loan ($5.2 million) bearing interest at prime plus 1 per cent, or 5.5 per cent at December 31, 2003 (2002 - 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.
- Guarantee Loan ($5.0 million) bearing interest at prime plus 1 per cent, or 5.5 per cent at December 31, 2003 (2002 - 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.

The Corporation records, as a separate loan (Interest Loan), accrued interest receivable from the Participating Debenture totalling $209.1 million (2002 - $180.2 million). Interest on the Interest Loan at a fixed rate of 11.15 per cent, is calculated on October 31 of each year and is added to the principal balance outstanding on the loan. Interest income earned and forming part of the Interest Loan is recorded as deferred interest income due to the uncertainty of collection and is netted against the outstanding loan balance. Deferred interest income will be recorded as income when payments are received under the cash availability formula.

Any repayments of the Participating Debenture, Contingency Loan, Guarantee Advance, Cash Flow Loan, Guarantee Loan and Interest Loan are subject to available cash flows as defined in the loan agreements. Payments toward principal outstanding on the Term Loan are due in two equal instalments after MLPLP has fully repaid an external loan.

Notes to Consolidated Financial Statements

December 31, 2003

4. Investments (continued)

If, by October 31, 2014, less than $159.0 million in aggregate has been paid on the Participating Debenture and Interest Loan, an amount equal to the difference between $159.0 million and the aggregate amount paid is due and payable. The remaining balance outstanding on the Interest Loan and Participating Debenture on October 31, 2014 shall bear interest at a rate equal to the short-term cost of borrowing for the Province of Saskatchewan, which is 2.62 per cent at December 31, 2003 (2002 - 2.74 per cent), until paid in full. The Contingency Loan and Term Loan also mature in 2014.

The Corporation's loans to MLPLP are subject to measurement uncertainty since their value is dependent upon the present value of cash flows provided by MLPLP operations. Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, the Corporation believes its loans to MLPLP are properly valued as at December 31, 2003. However, given the wide fluctuations in world commodity prices for pulp, this estimate could change materially in the near term.

d) As at December 31, 2003, the Corporation holds various other loans with interest rates ranging up to 10.00 per cent (2002 - up to 15.75 per cent) and maturities extending to 2021 (2002 - 2013).

e) The Corporation holds 68,449,080 (2002 - 68,449,080) Class B common shares equivalent to a 49.0 per cent (2002 - 49.0 per cent) interest in Saskferco, a nitrogen fertilizer plant, located in Belle Plaine, Saskatchewan.

f) The Corporation is a limited partner in ML OSB, an oriented strand board facility near Meadow Lake, Saskatchewan. The Corporation holds 27.5 million (2002 - 23.8 million) partnership units equivalent to a 25.0 per cent interest in ML OSB (2002 - 25.0 per cent). The Corporation has issued options to purchase its units of ML OSB to certain parties. If exercised the Corporation's interest would be diluted to 6.8 per cent.

g) The Corporation holds a 41.2 per cent (2002 - 41.2 per cent) interest in Big Sky, a hog production operation headquartered in Humboldt, Saskatchewan. The Corporation holds 150,000 (2002 - 150,000) common shares and 3,750,000 (2002 - 3,750,000) convertible preferred shares, which entitle the Corporation to an annual cumulative dividend of 5.0 per cent to 2005, and a 10.0 per cent annual cumulative dividend thereafter. The preferred shares may be converted to common shares, on a one-to-one basis, anytime in the first five years from date of issue ending in 2005. Furthermore, the preferred shares are retractable or redeemable starting in 2007. The Corporation holds options to acquire an additional 500,000 convertible voting preferred shares which expire in 2005 and 2007.

Notes to Consolidated Financial Statements

December 31, 2003

4. Investments (continued)

h) The Corporation is a limited partner in PVF, a venture capital fund which provides capital to grow small and medium sized companies primarily in Saskatchewan. The Corporation holds 10,000 (2002 - 5,000) partnership units and a 57.5 per cent interest in PVF (2002 - 54.1 per cent). As the Corporation does not control PVF the results are not consolidated.

i) The Corporation is a limited partner in WLS. WLS offers seed capital for human biotechnology, primary pharmaceuticals, biological, and neutraceutical products. The Corporation holds 4,100 (2002 - 2,700) partnership units and a 22.2 per cent interest in WLS (2002 - 22.2 per cent).

j) The Corporation owns $6.1 million (2002 - $5.5 million) in land, buildings and other properties held for resale.

k) Debentures, loans and other advances maturing in 2004 total $2.7 million (2003 - $3.6 million).

l) Earnings (losses) from equity investments are as follows (thousands):

	2003	2002
Saskferco Products Inc.	$ 6,197	$ 6,751
Meadow Lake OSB Limited Partnership	2,968	-
Prairie Ventures Limited Partnership	151	-
Western Life Sciences Venture Fund	(1,100)	(236)
Big Sky Farms Inc.	(143)	(224)
Other	1,012	(1,773)
	$ 9,085	$ 4,518

Notes to Consolidated Financial Statements

December 31, 2003

4. Investments (continued)

m) Recovery of (provision for) investment losses consists of the following (thousands):

	2003	2002
Provision for investment losses:		
Debentures, loans and other advances	$ (2,768)	$ (165)
Equity investments	-	(1,036)
Portfolio investments	(2,291)	(5,042)
	(5,059)	(6,243)
Recoveries of provisions for debentures, loans and other advances	6,417	3,200
	$ 1,358	$ (3,043)

5. Property, plant and equipment

(THOUSANDS)

	2003			2002
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Land	$ 1,670	$ -	$ 1,670	$ 1,610
Equipment	126,668	58,954	67,714	68,930
Buildings	48,910	17,303	31,607	37,666
Stock improvement	-	-	-	1,924
Furniture and fixtures	775	97	678	1,805
Construction in progress	1,239	-	1,239	311
	$ 179,262	$ 76,354	$ 102,908	$ 112,246

Notes to Consolidated Financial Statements

December 31, 2003

6. Other assets

(THOUSANDS)

	2003	2002
Goodwill	$ 7,195	$ 4,670
Intangibles	639	746
Other	676	2,957
	$ 8,510	$ 8,373

The changes in the carrying amounts of goodwill are as follows:

	2003	2002
Balance at January 1	$ 4,670	$ 5,266
Acquired during the year	2,525	-
Write-down	-	(596)
	$ 7,195	$ 4,670

7. Bank indebtedness

a) Bank indebtedness includes a demand revolving facility to a maximum of $11.5 million (2002 - $11.5 million) which is subject to certain margin requirements based on accounts receivable and inventory levels related to food processing operations located in Calgary, Alberta, and Saskatoon, Saskatchewan. The Corporation has drawn $3.8 million (2002 - $3.8 million) against this facility. The facility bears interest at prime which is 4.5 per cent at December 31, 2003 (2002 - 4.5 per cent) and is secured by a general security agreement related to those operations including: a first charge on present and after acquired personal property, general assignment of accounts receivable and inventory, and a collateral mortgage in the amount of $26.3 million (2002 - $26.3 million).

b) Bank indebtedness includes an operating credit facility of $17.5 million (2002 - $17.5 million) related to the pulp mill operations. The facility is due on demand and is subject to a borrowing formula based on pulp mill inventory and accounts receivable levels. The Corporation has drawn $9.6 million on this facility as at December 31, 2003 (2002 - $2.8 million). The interest rate on this facility is floating but may be fixed for varying periods by the Corporation based on the bank prime rate, banker's acceptance rates, LIBOR or the U.S. dollar base rate. The interest rate at December 31, 2003 is 6.5 per cent (2002 - 6.5 per cent). Collateral pledged for this facility consists of a first charge on pulp mill accounts receivable and inventories, a fixed charge on all other pulp mill assets, a floating charge over pulp mill land, and an assignment of pulp mill insurance proceeds.

8. Due to Crown Investments Corporation of Saskatchewan

The amounts due to Crown Investments Corporation of Saskatchewan are non-interest bearing and payable on demand.

Notes to Consolidated Financial Statements

December 31, 2003

9. Long-term debt

(THOUSANDS)

	2003		2002	
	PRINCIPAL OUTSTANDING	INTEREST RATE	PRINCIPAL OUTSTANDING	INTEREST RATE
A. General Revenue Fund (GRF) (a)				
Maturity Date				
June 2, 2006	$ 10,000	9.62	$ -	-
July 10, 2007	4,000	9.83	-	-
March 3, 2008	3,000	9.62	-	-
August 10, 2008	3,919	10.06	-	-
	20,919		-	
Less: Sinking fund balance	(5,616)		-	
Total due to GRF	15,303		-	
B. Other long-term debt				
Maturity Date				
July 31, 2006 (b)	31,000	6.64	35,000	6.64
May 26, 2009 (c)	3,317	7.93	3,450	7.93
July, 2016 (d)	3,609	5.00	7,238	5.00
Various	8,617	Various	8,432	Various
Total other long-term debt	46,543		54,120	
C. Financing arrangement (e)	2,574	2.66	3,140	2.64
	64,420		57,260	
Less: Due within one year (f)	(9,582)		(5,376)	
TOTAL LONG-TERM DEBT	$ 54,838		$ 51,884	

a) Effective October 1, 2003, and pursuant to Order in Council 888/2003 dated December 9, 2003, CIC transferred $20.9 million of advances payable to the GRF along with related sinking funds to the Corporation. The transfer resulted in a corresponding decrease in due to CIC.

Notes to Consolidated Financial Statements

December 31, 2003

9. Long-term debt (continued)

b) The Corporation has senior secured debentures outstanding that are due July 31, 2006 and bear interest at a rate of 6.64 per cent and are payable along with principal payments of $1.0 million on January 31, April 30, July 31, and October 31 each year. Collateral for the debentures consists of a general security interest in all pulp mill assets, and a fixed and floating charge on all pulp mill assets.

c) The Corporation has a term loan outstanding that is repayable in monthly instalments of $33 thousand including interest at 7.93 per cent per annum with the balance due May 26, 2009. This facility is secured by the general security agreement described in Note 7(a).

d) The Corporation has a term loan outstanding that is repayable in monthly instalments of $48 thousand bearing interest at prime plus 0.5 per cent which is 5.0 per cent at December 31, 2003 (2002 - 5.0 per cent), maturing in July 2016.

e) The Corporation has entered into a financing arrangement with a sales agent which bears interest at LIBOR plus 1.2 per cent or 2.66 per cent (2002 - 2.64 per cent) payable monthly. The advances have no specified terms of repayment, but the agent has confirmed that no repayment will be demanded prior to January 1, 2005. The advances are on account of pulp mill inventory delivered to the agent but not yet sold to customers.

f) The Corporation has breached covenants on $4.2 million of its long-term debt resulting in this debt being reclassified as due within one year.

g) Principal repayments (net of sinking funds) due in each of the next five years are as follows (thousands):

2004	$ 9,582
2005	4,489
2006	27,905
2007	4,555
2008	7,508

10. Share capital

(THOUSANDS)

	2003	2002
Authorized		
Unlimited common shares with no par value		
Issued and outstanding		
34,000,000 common shares (2002 - 34,000,000)	$ 340,000	$ 340,000

Notes to Consolidated Financial Statements

December 31, 2003

11. Commitments and contingencies

a) The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of this liability. The Corporation has accrued $2.4 million (2002 - $2.6 million) to carry out the clean-up activities.

b) The Corporation has committed to invest up to $14.0 million in Foragen Technologies Limited Partnership by January 1, 2006. The Corporation has provided $8.5 million of this commitment to December 31, 2003 (2002 - $5.5 million).

c) The Corporation has committed to invest up to $10.0 million in WLS. The Corporation has provided $4.1 million of this commitment to December 31, 2003 (2002 - $2.7 million).

d) The Corporation has committed to invest up to $20.0 million in PVF subject to certain performance conditions. The Corporation has provided $10.0 million of this commitment to December 31, 2003 (2002 - $5.0 million).

e) The Corporation has indemnified CIC for the guarantee of MLPLP's long-term debt payments to a maximum of $62.0 million. The Corporation does not expect any exposure under this indemnification in 2004.

f) The Corporation has indemnified CIC for a guarantee of 25 per cent of ML OSB's long-term debt facilities to a maximum of $27.5 million. The Corporation does not expect any exposure under this indemnification in 2004.

g) As part of the merger described in Note 3(a), the Corporation has indemnified Nutreco International B.V. for potential losses that may be incurred as a result of:

   i) a breach of representation or warranty in the merger documentation;

   ii) a breach of covenants contained in the merger documentation;

   iii) any undisclosed or unaccrued liabilities of Genex as of March 31, 2003 resulting from and/or attached to Genex or the net assets, contracts, claims or other obligations transferred to Hypor LP from Genex;

   iv) claims made by a third party based on a non-competition covenant made by Genex; and,

   v) except for the indemnity referred to in (iv), which is not subject to limitations, the indemnification is limited to aggregate losses in excess of 150,000 Euros to a maximum of Cdn. $2.4 million.

h) In the normal course of business, the Corporation became involved in claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2003 cannot be predicted with certainty, it is the opinion of management that resolution of these matters will not have a material adverse effect on the Corporation's financial position or results of operations. The Corporation will therefore account for these matters in the period of resolution.

Notes to Consolidated Financial Statements

December 31, 2003

12. Items not affecting cash from operations

(THOUSANDS)

	2003	2002
Amortization	$ 8,723	$ 9,909
Earnings from equity investments	(9,085)	(4,518)
Loss (gain) on sale of investments	526	(3,624)
(Recovery of) provision for investment losses	(1,358)	3,043
Other non-cash items	(568)	(3,686)
	$ (1,762)	$ 1,124

13. Net change in non-cash working capital balances related to operations

(THOUSANDS)

	2003	2002
(Increase) decrease in interest and dividends receivable	$ (1,176)	$ 2
(Increase) decrease in accounts receivable	(3,798)	2,334
Increase in inventories	(1,278)	(1,648)
Decrease (increase) in prepaid expenses	388	(635)
(Decrease) increase in accounts payable and accrued liabilities	(1,443)	3,845
	$ (7,307)	$ 3,898

14. Financial risk management

a) The Corporation uses foreign exchange contracts and options to hedge its exposure to U.S. dollar exchange rate risk.

The following summarizes instruments held at each year end (thousands):

	2003		
	CARRYING AMOUNT	AVERAGE RATE	MATURITY DATE
Options	Cdn. $ 500	U.S. $ 0.76	March 2004
Foreign exchange contracts	U.S. $ 29,000	Cdn. $ 1.38	December 2004

	2002		
	CARRYING AMOUNT	AVERAGE RATE	MATURITY DATE
Options	Cdn. $ 1,600	U.S. $ 0.64	August 2003
Foreign exchange contracts	U.S. $ 30,000	Cdn. $ 1.58	December 2003

The market rate of foreign exchange contracts at December 31, 2003 is Cdn. $1.29 resulting in an unrecognized gain on foreign exchange contracts of $2.7 million (2002 - unrecognized gain of $0.1 million). The carrying amount of the options approximates market value.

Notes to Consolidated Financial Statements

December 31, 2003

14. Financial risk management (continued)

b) Fair values

Certain of the Corporation's financial instruments including: cash; interest and accounts receivable; bank indebtedness; accounts payable; and, due to CIC have carrying amounts that approximate fair value due to their short-term maturity.

There is no active secondary market for many of the Corporation's loans, debentures and other advances, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows from these investments renders the calculation of a fair value with appropriate reliability impractical.

The Corporation has not attempted to determine the fair value of its equity holdings, non-publicly traded common shares, investment in HARO, and its property holdings due to the costs associated with this type of valuation.

The fair value of long-term debt due to the GRF is determined by discounting the future cash flows at borrowing rates presently available to the Corporation for loans with similar terms and remaining maturities, less costs of settlement. The fair value of long-term debt due to the GRF is $24.8 million. The fair value of the Corporation's other long-term debt approximates carrying value.

The fair value of sinking funds, based on their December 31, 2003 quoted value, is $5.7 million.

c) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet obligations to be similarly affected by changes in economic or other conditions.

Credit risk relates to interest and dividends receivable, accounts receivable, debentures, loans and other advances, and counterparties to financial hedges. Interest and accounts receivable is diversified among many customers primarily in Saskatchewan. All outstanding debentures, loans and other advances are receivable from Saskatchewan corporations or from entities doing business in Saskatchewan. The Corporation reviews the portfolio valuation annually and all non-performing loans are included in the provision for loan losses. The Corporation maintains credit policies and limits in respect to counterparties to financial hedge transactions.

d) Interest rate risk

The Corporation may be exposed to interest rate risk on maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place to offset interest rate risk.

Notes to Consolidated Financial Statements

December 31, 2003

15. Related party transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are summarized as follows (thousands):

Category (as per financial statements)	2003	2002
Interest and dividends receivable	$ 1,164	$ 2,055
Accounts receivable	279	-
Prepaid expenses	897	572
Accounts payable and accrued liabilities	2,002	1,195
Sale of products and services	1,450	995
Interest and other	202	-
Operating expenses	15,043	16,101
Interest expense	512	-

In addition, the Corporation pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

During 2003 the Corporation purchased $1.5 million in assets from SGGF Ltd., at book value.

Prior to October 1, 2003, CIC provided management services to the Corporation without charge. For the period October 1, 2003 to December 31, 2003, these services were provided by CIC for $21 thousand and are included in operating expenses.

These consolidated financial statements and notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

Notes to Consolidated Financial Statements

December 31, 2003

16. Joint ventures

The Corporation has joint control over the operating, investing and financing policies of MLPLP through CIC Pulp Ltd., Centennial Foods Partnership through CIC Foods Inc., Foragen Technologies Limited Partnership through CIC FTLP Holdings Inc., Hypor LP through CIC Swine Genetics Holdings Inc., and Hypor B.V. through CIC Swine Genetics Holdings Inc. The Corporation's pro rata share of its interest in these joint ventures is as follows (thousands):

	2003	2002
Current assets	$ 61,280	$ 49,585
Long-term assets	168,424	154,969
Current liabilities	41,675	27,400
Long-term liabilities	39,637	44,199
Revenue	187,295	159,225
Expenses	187,691	162,369
Net loss	(396)	(3,144)
Cash flows from operating activities	36,847	38,296
Cash flows from investing activities	(9,025)	(7,009)
Cash flows from financing activities	6,593	9,126

17. Subsequent events

Pursuant to Order in Council 64/2004 dated February 11, 2004, CIC is authorized to convert the Due to Crown Investments Corporation of Saskatchewan into common shares of Investment Saskatchewan Inc. The conversion will be $10 per share to a maximum of 20,200,000 shares.

Investment Saskatchewan Inc.

Non-Consolidated

Financial Statements

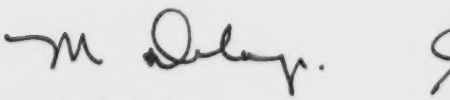
Responsibility for Financial Statements

The management of Investment Saskatchewan Inc. is responsible for the integrity of the accompanying non-consolidated financial statements and all other information contained in this Annual Report. The non-consolidated financial statements have been prepared by management to illustrate the financial position and results of the corporate entity only. They have been prepared on a non-consolidated basis, according to the basis of accounting described in Note 1(a) to the financial statements, consistently applied, using management's best estimates and judgment where appropriate. Financial information included elsewhere in this Annual Report is consistent with the non-consolidated financial statements.

The Corporation's Board of Directors (the Board) is responsible for overseeing the business and affairs of the Corporation. The Board, through its Audit and Finance Committee (the Committee), is responsible for ensuring that management fulfills its financial reporting responsibilities. The Committee is composed of independent directors who are not employees of the Corporation. The Committee reviews Management's Discussion & Analysis included in this Annual Report and meets regularly with management, external auditors and the Provincial Auditor of Saskatchewan to discuss internal controls, accounting, auditing and financial matters. The Committee recommends the appointment of the external auditors. The Committee reports its findings to the Board for its consideration in approving the non-consolidated financial statements.

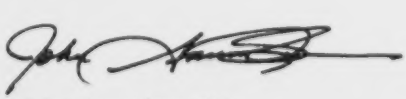
Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal control systems ensure that transactions are executed in accordance with proper authorization; that the financial information is relevant, reliable, and accurate; and that assets are appropriately accounted for and adequately safeguarded. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

The non-consolidated financial statements have been audited by KPMG LLP, as appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan. Their report to the members of the Legislative Assembly, stating the scope of their examination and their opinion on the non-consolidated financial statements, appears on page 70.



Maurice Delage

Acting President and CEO



John Amundson, CA

Acting Controller

FEBRUARY 19, 2004

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the non-consolidated statement of financial position of **Investment Saskatchewan Inc. (formerly CIC Industrial Interests Inc.)** as at December 31, 2003 and the non-consolidated statements of operations and reinvested earnings and cash flows for the year then ended. These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan. These non-consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1(a) to the financial statements.

These non-consolidated financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are intended for the purpose of tabling with the Legislative Assembly of Saskatchewan.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

FEBRUARY 19, 2004

Non-Consolidated Statement of Financial Position

As at December 31

(THOUSANDS)

	2003	2002
ASSETS		
Cash and short-term investments *(Note 3)*	$ 3,428	$ 4
Interest and accounts receivable	1,169	108
Investments - debentures, loans and other advances *(Note 4)*	224,938	231,215
Investments - equity basis *(Note 5)*	351,852	311,267
Investments - cost basis *(Note 6)*	22,094	28,847
Investments - properties *(Note 7)*	6,122	5,509
Equipment *(Note 8)*	78	64
	$ 609,681	$ 577,014
LIABILITIES AND SHAREHOLDER'S EQUITY		
Accounts payable	$ 3,572	$ 4,683
Due to Crown Investments Corporation of Saskatchewan (CIC) *(Note 9)*	190,194	179,213
Long-term debt *(Note 10)*	15,303	-
	209,069	183,896
Shareholder's Equity		
Share capital *(Note 11)*	340,000	340,000
Reinvested earnings	60,612	53,118
	400,612	393,118
	$ 609,681	$ 577,014

Commitments and contingencies *(Note 12)*

(See accompanying notes)

ON BEHALF OF THE BOARD:

Susan Milburn
Director

Paul Martin
Director

Non-Consolidated Statement of Operations and Reinvested Earnings

For the Year Ended December 31

(THOUSANDS)

	2003	2002
REVENUES		
Interest and other	$ 2,216	$ 11,175
Earnings from investments - equity basis *(Note 5(p))*	4,907	939
(Loss) gain on sale of investments	(526)	3,624
	6,597	15,738
EXPENSES		
General administration and other	2,948	1,104
Amortization	39	12
	2,987	1,116
EARNINGS BEFORE THE FOLLOWING	3,610	14,622
Recovery of (provision for) investment losses *(Note 13)*	3,884	(2,999)
NET EARNINGS	7,494	11,623
REINVESTED EARNINGS, BEGINNING OF YEAR	53,118	53,118
DIVIDEND TO CIC	-	(11,623)
REINVESTED EARNINGS, END OF YEAR	$ 60,612	$ 53,118

(See accompanying notes)

Non-Consolidated Statement of Cash Flows

For the Year Ended December 31

(THOUSANDS)

	2003	2002
OPERATING ACTIVITIES		
Net earnings	$ 7,494	$ 11,623
Dividends from investments - equity basis	2,065	1,281
Items not affecting cash from operations *(Note 14)*	(8,226)	(1,552)
	1,333	11,352
Net change in non-cash working capital balances related to operations *(Note 15)*	(2,172)	(1,145)
Cash (used in) provided by operating activities	(839)	10,207
INVESTING ACTIVITIES		
Repayment of debentures, loans and advances	5,579	38,497
Purchase of investments	(30,783)	(65,697)
Proceeds from sale of investments	3,236	2,766
Purchase of equipment	(53)	(64)
Cash used in investing activities	(22,021)	(24,498)
FINANCING ACTIVITIES		
Dividend to CIC	-	(11,623)
Increase in long-term debt	15,303	-
Increase in due to CIC	10,981	25,918
Cash provided by financing activities	26,284	14,295
NET CHANGE IN CASH POSITION	3,424	4
CASH POSITION, BEGINNING OF YEAR	4	-
CASH POSITION, END OF YEAR	$ 3,428	$ 4

(See accompanying notes)

Notes to Non-Consolidated Financial Statements

December 31, 2003

1. Summary of significant accounting policies

These non-consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles except as noted in 1 a) and 1 d) below. Significant accounting policies are summarized below:

a) Basis of presentation

Investment Saskatchewan Inc. (formerly CIC Industrial Interests Inc.) (the Corporation) is a Provincial Crown corporation as described in Note 2. These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan in accordance with the significant accounting policies described below. The basis of accounting used to prepare these non-consolidated financial statements materially differs from Canadian generally accepted accounting principles because the Corporation's investments, over which it is able to exercise control or joint control, are accounted for using the equity method. Separate audited consolidated financial statements have also been prepared for the Corporation in accordance with Canadian generally accepted accounting principles.

b) Short-term investments

Short-term investments are recorded at cost, and have original maturities of three months or less.

c) Investments - debentures, loans and other advances

The Corporation records debentures, loans and other advances at cost. When there is a decline in the value of a debenture, loan or other advance that is not considered temporary, the asset is written down to its estimated fair value.

Interest earned on debentures, loans and other advances is recognized on the accrual basis except where uncertainty exists as to ultimate collection. When collectibility of interest is not reasonably assured, interest income is recorded when cash is received. Interest owing to the Corporation is recorded as accrued interest receivable with amounts not eligible for recognition as revenue offset by deferred interest income.

d) Investments - equity-basis

The Corporation uses the equity method to account for its subsidiaries:

CIC Pulp Ltd.
CIC Foods Inc.
CIC OSB Products Inc.
CIC PVF Holdings Inc. (formerly CIC Ventures Inc.)
CIC WLSVF Holdings Inc. (formerly 101026817 Saskatchewan Ltd.)
CIC Swine Genetics Holdings Inc.
Genex Swine Group Inc. (Genex)
PCF Investments Ltd. (PCF)
WTC Investments Ltd. (WTC)
Saskatchewan Valley Potato Corporation (SVPC)
CIC FTLP Holdings Inc. (formerly 101012875 Saskatchewan Ltd.)
CIC FTMI Holdings Inc. (formerly 101012876 Saskatchewan Ltd.)

Notes to Non-Consolidated Financial Statements

December 31, 2003

1. Summary of significant accounting policies (continued)

The Corporation also uses the equity method to account for other investments over which it exercises joint control or significant influence. Under the equity method, the Corporation's investment is initially recorded at cost and is adjusted for its share of investee net earnings or losses, and reduced by dividends received or receivable.

Where there is a decline in the value of an equity based investment that is not considered temporary, the asset is written down to its estimated fair value.

e) Investments - cost-basis

Investments in which the Corporation does not exercise significant influence, are recorded at cost, with dividends from these investments recorded as income when received or receivable.

When there is a decline in value of a cost based investment that is not considered temporary, the investment is written down to its estimated fair value.

f) Investments - properties

Investments in properties held for sale are recorded at the lower of cost and net realizable value.

g) Equipment

Equipment is recorded at cost. When equipment is disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Non-Consolidated Statement of Operations and Reinvested Earnings.

h) Sinking funds

Sinking funds are valued at amortized cost. When there has been a decline in the value of the investment of the sinking fund that is not considered temporary, the investment is written down to its fair value.

i) Amortization

Equipment consists of computer software. Amortization is recorded on the straight-line basis over three years.

j) Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and disclosed amounts for contingent liabilities. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

Notes to Non-Consolidated Financial Statements

December 31, 2003

2. Status of the Corporation

Investment Saskatchewan Inc. was incorporated under **The Business Corporations Act (Saskatchewan)** on November 14, 1979 as a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan, a Provincial Crown corporation. Effective September 3, 2003, pursuant to Order in Council 700/2003, which made effective **The Crown Corporation Amendment Regulations, 1993**, the Corporation was designated a CIC Crown corporation to which the provisions of **The Crown Corporations Act, 1993** apply. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes. Certain of the Corporation's investments are subject to Federal and Provincial income taxes.

3. Cash and short-term investments

Short-term investments consist of promissory notes due on or before February 17, 2004 with an average interest rate of 2.74 per cent.

4. Investments — debentures, loans and other advances

(THOUSANDS)

	2003	2002
HARO Financial Corporation:		
Term loan (a)	$ 331,777	$ 319,505
Interest receivable on Term Loan	6,099	886
Less: Deferred interest	(198,847)	(181,362)
	139,029	139,029
68,000,000 Class B non-voting common shares (b)	68,000	68,000
	207,029	207,029
Other Loans:		
Loan principal receivable (c)	18,687	36,850
Loan interest and costs receivable	255	1,386
Lease options	1,328	1,566
Less: Provision for loan losses	(2,361)	(15,616)
	17,909	24,186
	$ 224,938	$ 231,215

Notes to Non-Consolidated Financial Statements

December 31, 2003

4. Investments — debentures, loans and other advances (continued)

a) In 1992, the Corporation entered into a Term Loan Agreement with HARO Financial Corporation (HARO). The Term Loan was for an initial five-year term with a maximum of four five-year renewal terms at the option of HARO. The Corporation agreed to renew this loan for a third five-year term in 2002. Annual interest rates on the Term Loan are fixed at the commencement of each five-year renewal term using the five-year Saskatchewan Bond rate plus 1 per cent. For the third five-year term, the interest rate on the loan is 5.5 per cent compounded annually. Security for the Term Loan is 100 per cent of HARO's assets, which as of December 31, 2003 consist primarily of HARO's 65.2 per cent interest in Crown Life Insurance Company (Crown Life) shares.

Repayment of principal and interest is subject to available cash flow as defined in the loan agreement. HARO's main source of cash is distributions from Crown Life. Due to the uncertainty surrounding such cash flows, the Corporation has deferred recording interest income on the Term Loan until such time as cash is received from HARO. The Corporation's total interest deferred and owing at December 31, 2003, is $198.8 million (2002 - $181.4 million).

All unpaid principal and interest is due on December 15, 2017. On that date, any amounts outstanding will convert to 100 per cent of HARO equity shares. The Corporation has a unilateral right prior to December 15, 2017, to convert no less than 25 per cent of the loan to either HARO non-voting, HARO voting or Crown Life shares. Any conversion may be subject to regulatory approval by the Office of the Superintendent of Financial Institutions.

b) Ownership of 68,000,000 of HARO's Class B non-voting common shares entitles the Corporation to a maximum of 100 per cent participation rights with respect to dividends and remaining property of HARO on its liquidation or dissolution. Subject to regulatory approval, the Corporation has a unilateral right to exchange at any time the Class B shares for voting shares or HARO's assets.

c) As at December 31, 2002, the Corporation held various other loans with interest rates ranging up to 15.75 per cent. Maturities on these loans extend to the year 2013. Effective September 1, 2003, certain of these loans were transferred to PCF Investments Ltd. and WTC Investments Ltd. as described in Notes 5(n) and 5(o). As at December 31, 2003, other loans remaining with the Corporation have various interest rates ranging up to 10 per cent with maturities extending to 2021.

d) Loans receivable and debentures maturing in 2004 total $0.7 million (2003 - $3.6 million).

Notes to Non-Consolidated Financial Statements

December 31, 2003

5. Investments - equity basis

(THOUSANDS)

	PERCENTAGE OWNERSHIP	2003	2002
Saskferco Products Inc. (Saskferco) (a):			
68,449,080 (2002 - 68,449,080) Class B common shares			
Cost $68,449,080 (2002 - $68,449,080)	49.0%	$ 120,188	$ 116,055
CIC Pulp Ltd. (b):			
100 (2002 - 100) common shares			
Cost $100 (2002 - $100)	100.0%	(64,387)	(65,257)
Due from CIC Pulp Ltd.		19,096	18,074
Millar Western Pulp (Meadow Lake) Ltd.:			
50 (2002 - 50) Class A common shares			
Cost $49 (2002 - $49)	50.0%	-	-
Loans receivable from Meadow Lake Pulp Limited Partnership (MLPLP):			
Participating Debenture		159,000	159,000
Interest Loan		418,229	360,325
Term Loan		23,236	21,779
Contingency Loan		16,024	15,161
Guarantee Advance		11,514	10,895
Cash Flow Loan		14,460	13,682
Guarantee Loan		10,710	8,160
Accrued interest		11,493	10,354
Less: Deferred interest		(446,306)	(382,995)
Provision for loan losses		(60,000)	(60,000)
		113,069	109,178
CIC OSB Products Inc. (CIC OSB) (c):			
100 (2002 - 100) Class A common shares			
Cost $100 (2002 - $100)	100.0%	2,968	-
Due from CIC OSB		27,646	23,856
		30,614	23,856
CIC Foods Inc. (d):			
100 (2002 - 100) common shares			
Cost $100 (2002 - $100)	100.0%	(1,399)	(1,764)
Due from CIC Foods Inc.		19,637	19,748
		18,238	17,984

Notes to Non-Consolidated Financial Statements

December 31, 2003

5. Investments - equity basis (continued)

(THOUSANDS)

	PERCENTAGE OWNERSHIP	2003	2002
Big Sky Farms Inc. (Big Sky) (e):			
150,000 (2002 - 150,000) common shares			
Cost $500,000 (2002 - $500,000)			
3,750,000 (2002 - 3,750,000)			
convertible preferred shares			
Cost $15,000,000 (2002 - $15,000,000)	41.2%	16,455	16,598
Genex Swine Group Inc. (Genex) (f):			
100 (2002 - 3,177,347)			
Class A common shares			
Cost $163 (2002 - $3,647,586)	100.0%		
Nil (2002 - 1,662,500)			
Class B preferred shares			
Cost $Nil (2002 - $3,325,000)		88	10,776
CIC PVF Holdings Inc. (g):			
100 (2002 - 100) Class A common shares			
Cost $100 (2002 - $100)	100.0%	151	-
Due from CIC PVF Holdings Inc.		9,980	5,000
		10,131	5,000
CIC FTLP Holdings Inc. (h):			
3,000,001 (2002 - 3,000,001) common shares			
Cost $3,000,001 (2002 - $3,000,001)	100.0%	1,056	1,644
Due from CIC FTLP Holdings Inc.		5,500	2,500
CIC FTMI Holdings Inc.			
140 (2002 - 140) common shares			
Cost $14 (2002 - $14)	100.0%	-	-
		6,556	4,144
Saskatchewan Valley Potato Corporation (SVPC) (i):			
100 (2002 - 100) Class A common shares			
Cost $16,216,499 (2002 - $16,216,499)	100.0%	631	(74)
Due from SVPC		1,167	2,541
		1,798	2,467
CIC WLSVF Holdings Inc. (j):			
1,000,000 (2002 - 1,000,000) Class A common shares			
Cost $1,000,000 (2002 - $1,000,000)	100.0%	(402)	697
Due from CIC WLSVF Holdings Inc.		3,100	1,700
		2,698	2,397

Notes to Non-Consolidated Financial Statements

December 31, 2003

5. Investments - equity basis (continued)

(THOUSANDS)

	PERCENTAGE OWNERSHIP	2003	2002
FarmGro Organic Foods Inc. (FarmGro) (k):			
Nil (2002 - 1,937,500) Class B voting preferred shares	-		
Cost $Nil (2002 - $1,750,000)		-	(807)
Due from FarmGro		-	2,951
		-	2,144
SGI CANADA Insurance Services Ltd. (l):			
320,100 (2002 - 320,100) Class A common shares			
Cost $2,000,100 (2002 - $2,000,100)	5.2%	1,343	668
CIC Swine Genetics Holdings Inc. (m):			
1,000 (2002 - Nil) common shares			
Cost $12,941,543 (2002 - $Nil)	100.0%	10,949	-
Due to CIC Swine Genetics Holdings Inc.		(664)	-
		10,285	-
PCF Investments Ltd. (PCF) (n):			
100 (2002 - Nil) Class A voting shares			
Cost $100 (2002 - $Nil)	100.0%	(1,415)	-
Due from PCF		12,745	-
		11,330	-
WTC Investments Ltd. (WTC) (o):			
100 (2002 - Nil) Class A voting shares			
Cost $100 (2002 - $Nil)	100.0%	(1,128)	-
Due from WTC		10,187	-
		9,059	-
		$ 351,852	$ 311,267

a) The Corporation holds a 49.0 per cent interest in Saskferco, a nitrogen fertilizer plant, located in Belle Plaine, Saskatchewan.

b) The Corporation, through its wholly-owned subsidiary, CIC Pulp Ltd., owns a 50.0 per cent interest in MLPLP, a pulp mill located near Meadow Lake, Saskatchewan. The amounts due from CIC Pulp Ltd. are non-interest bearing and repayable on demand.

Notes to Non-Consolidated Financial Statements

December 31, 2003

5. Investments - equity basis (continued)

The Corporation's loans to MLPLP include the:

- Participating Debenture which bears interest at 11.15 per cent calculated annually on October 31.
- Term Loan which bears interest at prime plus 2 per cent, or 6.5 per cent at December 31, 2003 (2002 - 6.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.
- Contingency Loan which bears interest at prime plus 1 per cent, or 5.5 per cent, at December 31, 2003 (2002 - 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.
- Guarantee Advance which bears interest at prime plus 1 per cent, or 5.5 per cent, at December 31, 2003 (2002 - 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.
- Cash Flow Loan which bears interest at prime plus 1 per cent, or 5.5 per cent, at December 31, 2003 (2002 - 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.
- Guarantee Loan which bears interest at prime plus 1 per cent, or 5.5 per cent, at December 31, 2003 (2002 - 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.

The Corporation records, as a separate loan (Interest Loan), the accrued interest receivable from the Participating Debenture. Interest on the Interest Loan, at 11.15 per cent, is calculated on October 31 of each year and is added to the principal balance outstanding on the loan. Interest income earned and forming part of the Interest Loan is recorded as deferred interest income due to the uncertainty of collection. The deferred interest income will be recorded as income when payments are received under the cash availability formula.

Any repayments of the Participating Debenture, Contingency Loan, Interest Loan, Guarantee Advance, Cash Flow Loan, and the Guarantee Loan are subject to available cash flows as defined in the loan agreements. Payments toward principal outstanding on the Term Loan are due in two equal payments after MLPLP has fully repaid an external bank loan.

If, by October 31, 2014, less than $159.0 million in aggregate has been paid on the Participating Debenture and Interest Loan, an amount equal to the difference between $159.0 million and the aggregate amount paid is due and payable. The remaining balance outstanding on the Interest Loan and Participating Debenture on October 31, 2014 shall bear interest at a rate equal to the short-term cost of borrowing for the Province of Saskatchewan, which is 2.62 per cent at December 31, 2003 (2002 - 2.74 per cent), until paid in full. The Contingency Loan and Term Loan also mature in 2014.

Notes to Non-Consolidated Financial Statements

December 31, 2003

5. Investments - equity basis (continued)

The Corporation's loans to MLPLP are subject to measurement uncertainty since their value is dependent upon the present value of the cash flows provided by pulp mill operations. Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, the Corporation believes its loans to MLPLP are properly valued as at December 31, 2003. However, given the wide fluctuations in world commodity prices for pulp, this estimate could change materially in the near term.

c) The Corporation, through its wholly-owned subsidiary CIC OSB, is a limited partner in Meadow Lake OSB Limited Partnership (ML OSB). ML OSB operates an oriented strand board facility near Meadow Lake, Saskatchewan. CIC OSB holds a 25.0 per cent interest in ML OSB (2002 - 25.0 per cent). The Corporation has issued options to purchase its units of ML OSB to certain parties. If exercised the Corporation's interest would be diluted to 6.8 per cent.

d) The Corporation, through its wholly-owned subsidiary CIC Foods Inc., owns a 35.0 per cent interest in Centennial Foods Partnership (Centennial).

The Corporation's partnership agreement includes a provision that allows Centennial 2000 Inc. to withdraw capital to pay any tax liabilities resulting from its ownership of Centennial. The Corporation does not have matching capital withdrawal rights. As a result, the Corporation is treating Centennial 2000 Inc.'s capital withdrawal as a priority distribution and charging the Corporation's share of income with the Corporation's 35.0 per cent share of the distributions to Centennial 2000 Inc.

e) The Corporation holds a 41.2 per cent (2002 - 41.2 per cent) interest in Big Sky, a hog production operation headquartered in Humboldt, Saskatchewan. The preferred shares have an annual cumulative dividend of 5.0 per cent to 2005, and a 10.0 per cent cumulative dividend rate thereafter. The preferred shares may be converted to common shares by the holder, on a one-to-one basis, anytime in the first five years from date of issue ending in 2005. Furthermore, the preferred shares are retractable or redeemable starting in 2007. The Corporation holds options to acquire an additional 500,000 convertible voting preferred shares which expire in 2005 and 2007.

f) In October 2003 and pursuant to Order in Council 399/2003, dated May 27, 2003, the Corporation acquired, from the minority shareholders, all the outstanding Genex Class A common and Class B preferred shares for total consideration of $2.2 million. Also in October 2003, and pursuant to Order in Council 399/2003, the Corporation converted all Genex preferred share holdings to common shares on a one-to-one basis. As a result of the merger transaction described in Note 5(m), the Corporation transferred its investment in Genex to CIC Swine Genetics Holdings Inc. at a book value of $10.9 million, and redeemed and cancelled 5,647,470 common shares of Genex, leaving the Corporation with 100 common shares of Genex at a cost of $163.

g) The Corporation, through its wholly-owned subsidiary, CIC PVF Holdings Inc., is a limited partner in Prairie Ventures Limited Partnership (PVF), a venture capital fund which provides capital to grow small and medium sized companies primarily in Saskatchewan. CIC PVF Holdings Inc. holds a 57.5 per cent interest in PVF (2002 - 54.1 per cent).

Notes to Non-Consolidated Financial Statements

December 31, 2003

5. Investments - equity basis (continued)

h) The Corporation, through its wholly-owned subsidiary CIC FTLP Holdings Inc., is a limited partner in Foragen Technologies Limited Partnership (Foragen), a venture capital fund which offers seed capital to advanced agricultural technology corporations. CIC FTLP Holdings Inc. holds a 33.3 per cent interest in Foragen (2002 - 33.3 per cent).

i) The Corporation holds 100 per cent of the Class A voting common shares of SVPC (2002 - 100 per cent). SVPC is a seed potato storage company in the Lake Diefenbaker area. The Corporation provides SVPC with a line of credit not to exceed $3.0 million (2002 - $3.0 million), which is non-interest bearing and due on demand. At December 31, 2003, SVPC has $1.2 million (2002 - $2.5 million) outstanding on the line of credit.

j) The Corporation, through its wholly-owned subsidiary CIC WLSVF Holdings Inc., is a limited partner in Western Life Sciences Venture Fund Limited Partnership (WLS). WLS offers seed capital for human biotechnology, primary pharmaceuticals, biological and neutraceutical products. CIC WLSVF Holdings Inc. holds a 22.2 per cent interest in WLS (2002 - 22.2 per cent).

k) During 2003, the Corporation disposed of its entire 27.2 per cent investment in the Class B voting 7.0 per cent cumulative preferred shares of Farmgro for proceeds of $2.3 million, resulting in a net loss of $0.5 million.

l) The Corporation holds 320,100 (2002 - 320,100) Class A common shares equivalent to a 5.2 per cent (2002 - 9.4 per cent) interest in SGI CANADA Insurance Services Ltd. which sells property and casualty insurance outside Saskatchewan primarily through operations in Ontario and Prince Edward Island.

m) Pursuant to Order in Council 399/2003, dated May 27, 2003, the following transactions were undertaken:

i) the Corporation incorporated a wholly-owned subsidiary, CIC Swine Genetics Holdings Inc.;

ii) CIC Swine Genetics Holdings Inc. incorporated two wholly-owned subsidiaries, CIC Swine Genetics Inc. and CIC Swine Genetics (NL) B.V.;

iii) CIC Swine Genetics Inc. entered into a merger agreement with Nutreco International B.V., whereby it holds a 50.0 per cent interest in Hypor LP with operations in Canada; and,

iv) CIC Swine Genetics (NL) B.V. entered into a merger agreement with Nutreco International B.V., whereby it holds a 50.0 per cent interest in Hypor B.V. with operations primarily in the Netherlands, Belgium and Italy and a 47.4 per cent interest in Euribrid Espana S.A. with operations in Spain.

The above operating entities carry on the business of the research, development, production, marketing and sale of pigs, and swine genetic material.

Notes to Non-Consolidated Financial Statements

December 31, 2003

5. Investments - equity basis (continued)

n) Pursuant to Order in Council 645/2003, dated September 1, 2003, the Corporation incorporated a wholly-owned subsidiary, PCF Investments Ltd. (PCF) under **The Business Corporations Act (Saskatchewan)** to hold certain investments individually valued at less than $3 million. As a result of this restructuring, the Corporation transferred a portion of its loan portfolio to PCF at book value totaling $11.7 million. As part of this transaction, the Corporation provided an equity investment of $1.0 million to PCF to fund future investment opportunities. As consideration for these transactions, the Corporation has recorded $12.7 million as due from PCF which is non-interest bearing and has no fixed repayment terms.

o) Pursuant to Order in Council 645/2003, dated September 1, 2003, the Corporation incorporated a wholly-owned subsidiary, WTC Investments Ltd. (WTC) under **The Business Corporations Act (Saskatchewan)** to hold certain investments individually valued at less than $3 million. As a result of this restructuring, the Corporation transferred a portion of its loan portfolio to WTC at book value totaling $9.2 million. As part of this transaction, the Corporation provided an equity investment of $1.0 million to WTC to fund future investment opportunities. As consideration for these transactions, the Corporation has recorded $10.2 million as due from WTC which is non-interest bearing and has no fixed repayment terms.

p) Earnings (losses) from investments - equity basis are as follows (thousands):

	2003	2002
Saskferco Products Inc.	$ 6,197	$ 6,751
CIC Pulp Ltd.	870	(2,325)
CIC OSB Products Inc.	2,968	-
CIC Foods Inc.	365	(1,365)
Big Sky Farms Inc.	(143)	(224)
Genex Swine Group Inc.	(1,962)	(452)
CIC PVF Holdings Inc.	151	-
CIC FTLP Holdings Inc.	(587)	(462)
Saskatchewan Valley Potato Corporation	706	1,088
CIC WLSVF Holdings Inc.	(1,100)	(236)
FarmGro Organic Foods Inc.	-	(474)
SGI CANADA Insurance Services Ltd.	675	(1,362)
CIC Swine Genetics Holdings Inc.	(690)	-
PCF Investments Ltd.	(1,415)	-
WTC Investments Ltd.	(1,128)	-
	$ 4,907	$ 939

Notes to Non-Consolidated Financial Statements

December 31, 2003

6. Investments - cost basis

(THOUSANDS)

	2003	2002
Premium Brands Inc.	$ 15,000	$ 15,000
Primaxis Technology Ventures Incorporated	5,000	5,000
Pangaea Systems Inc.	2,000	-
Performance Plants Inc.	-	1,500
Minds Eye Entertainment Ltd.	-	500
Other	94	6,847
	$ 22,094	$ 28,847

7. Investments - properties

The Corporation owns $6.1 million (2002 - $5.5 million) in land, buildings and other properties held for resale.

8. Equipment

(THOUSANDS)

	2003			2002
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Computer software	$ 117	$ 39	$ 78	$ 64

9. Due to Crown Investments Corporation of Saskatchewan

The amounts due to Crown Investments Corporation of Saskatchewan are non-interest bearing and payable on demand.

Notes to Non-Consolidated Financial Statements

December 31, 2003

10. Long-term debt

(THOUSANDS)

MATURITY DATE	2003 PRINCIPAL OUTSTANDING	2003 INTEREST RATE	2002 PRINCIPAL OUTSTANDING	2002 INTEREST RATE
June 2, 2006	$ 10,000	9.62	$ -	-
July 10, 2007	4,000	9.83	-	-
March 3, 2008	3,000	9.62	-	-
August 10, 2008	3,919	10.06	-	-
	20,919		-	
Less: Sinking fund balance	(5,616)		-	
	$ 15,303		$ -	

a) Effective October 1, 2003, and pursuant to Order in Council 888/2003 dated December 9, 2003, CIC transferred $20.9 million of advances payable to the General Revenue Fund along with related sinking funds to the Corporation. The transfer resulted in a corresponding decrease in due to CIC.

b) Principal repayments (net of sinking funds) due in each of the next five years are as follows (thousands):

2004	$ -
2005	-
2006	4,384
2007	4,000
2008	6,919

11. Share capital

(THOUSANDS)

	2003	2002
Authorized		
Unlimited common shares with no par value		
Issued and outstanding		
34,000,000 common shares (2002 - 34,000,000)	$ 340,000	$ 340,000

Notes to Non-Consolidated Financial Statements

December 31, 2003

12. Commitments and contingencies

a) The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of this liability. The Corporation has accrued $2.4 million (2002 - $2.6 million) to carry out the clean-up activities.

b) The Corporation has committed to invest up to $14.0 million in Foragen by January 1, 2006. The Corporation has provided $8.5 million of this commitment to December 31, 2003 (2002 - $5.5 million).

c) The Corporation has committed to invest up to $10.0 million in WLS. The Corporation has provided $4.1 million of this commitment to December 31, 2003 (2002 - $2.7 million).

d) The Corporation has committed to invest up to $20.0 million in PVF subject to certain performance conditions. The Corporation has provided $10.0 million of this commitment to December 31, 2003 (2002 - $5.0 million).

e) As part of the merger described in Note 5(m), the Corporation has indemnified Nutreco International B.V. for potential losses that may be incurred as a result of:

i) a breach of representation or warranty in the merger documentation;

ii) a breach of covenants contained in the merger documentation;

iii) any undisclosed or unaccrued liabilities of Genex as of March 31, 2003 resulting from and/or attached to Genex or the net assets, contracts, claims or other obligations transferred to Hypor LP from Genex;

iv) claims made by a third party based on a non-competition covenant made by Genex; and,

v) except for the indemnity referred to in iv), which is not subject to limitations, the indemnification is limited to aggregate losses in excess of 150,000 Euros to a maximum of Cdn. $2.4 million.

f) The Corporation has indemnified CIC for the guarantee of MLPLP's long-term debt payments to a maximum of $62.0 million. The Corporation does not expect any exposure under this indemnification in 2004.

g) The Corporation has indemnified CIC for a guarantee of 25 per cent of ML OSB's long-term debt facilities to a maximum of $27.5 million. The Corporation does not expect any exposure under this indemnification in 2004.

Notes to Non-Consolidated Financial Statements

December 31, 2003

13. Recovery of (provision for) investment losses

Recovery of (provision for) investment losses is made up of the following (thousands):

	2003	2002
Provision for investment losses:		
Debentures, loans and other advances	$ (1,480)	$ (165)
Investments - equity-basis	-	(1,036)
Investments - cost-basis	(1,053)	(4,998)
	(2,533)	(6,199)
Recoveries of provisions for debentures, loans and other advances	6,417	3,200
	$ 3,884	$ (2,999)

14. Items not affecting cash from operations

(THOUSANDS)

	2003	2002
Loss (gain) on sale of investments	$ 526	$ (3,624)
(Recovery of) provision for investment losses	(3,884)	2,999
Earnings from investments - equity basis	(4,907)	(939)
Amortization	39	12
	$ (8,226)	$ (1,552)

15. Net change in non-cash working capital balances related to operations

(THOUSANDS)

	2003	2002
Increase in interest and accounts receivable	$ (1,061)	$ (737)
Decrease in accounts payable	(1,111)	(408)
	$ (2,172)	$ (1,145)

Notes to Non-Consolidated Financial Statements

December 31, 2003

16. Financial risk management

a) Fair values

Certain of the Corporation's financial instruments including: cash and short-term investments; interest and accounts receivable; accounts payable; and, due to CIC, have carrying amounts that approximate fair value due to their short-term maturity.

There is no active secondary market for many of the Corporation's loans, debentures and other advances, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows from these long-term investments renders the calculation of a fair value with appropriate reliability impractical.

The Corporation has not attempted to determine the fair value of its equity holdings, non-publicly traded common shares, investment in HARO, and its property holdings due to the costs associated with this type of valuation.

The fair value of long-term debt is determined by discounting the future cash flows at borrowing rates presently available to the Corporation for loans with similar terms and remaining maturities, less costs of settlement. The fair value of long-term debt is $24.8 million and the fair value of the related sinking funds, based on their December 31, 2003 quoted value, is $5.7 million.

b) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet obligations to be similarly affected by changes in economic or other conditions.

All outstanding debentures, loans and other advances are receivable from Saskatchewan corporations or from entities doing business in Saskatchewan. The Corporation reviews the portfolio valuation annually and all non-performing loans are included in the provision for loan losses.

c) Interest rate risk

The Corporation may be exposed to interest rate risk on maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place to offset interest rate risk.

Notes to Non-Consolidated Financial Statements

December 31, 2003

17. Related party transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows (thousands):

	2003	2002
Category (as per financial statements)		
Interest and accounts receivable	$ 1,164	$ 1,822
Accounts payable	795	-
Interest and other revenues	202	-
General administration and other expenses	630	35

In addition, the Corporation pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

During 2003 the Corporation purchased $1.5 million in assets from SGGF Ltd., at book value.

Prior to October 1, 2003, CIC provided management services to the Corporation without charge. For the period October 1, 2003 to December 31, 2003, these services were provided by CIC for $21 thousand and are included in general administration and other expenses.

These non-consolidated financial statements and notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

Notes to Non-Consolidated Financial Statements

December 31, 2003

18. Joint ventures

The Corporation has joint control over the operating, investing and financing activities of MLPLP through CIC Pulp Ltd., Centennial Foods Partnership through CIC Foods Inc., Foragen Technologies Limited Partnership through CIC FTLP Holdings Inc., Hypor LP through CIC Swine Genetics Holdings Inc., and Hypor B.V. through CIC Swine Genetics Holdings Inc. The Corporation's pro rata share of its interest in these joint ventures is as follows (thousands):

	2003	2002
Current assets	$ 61,280	$ 49,585
Long-term assets	168,424	154,969
Current liabilities	41,675	27,400
Long-term liabilities	39,637	44,199
Revenue	187,295	159,225
Expenses	187,691	162,369
Net loss	(396)	(3,144)
Cash flows from operating activities	36,847	38,296
Cash flows from investing activities	(9,025)	(7,009)
Cash flows from financing activities	6,593	9,126

19. Subsequent events

Pursuant to Order in Council 64/2004 dated February 11, 2004, CIC is authorized to convert the Due to Crown Investments Corporation of Saskatchewan into common shares of Investment Saskatchewan Inc. The conversion will be $10 per share to a maximum of 20,200,000 shares.

20. Comparative figures

Certain comparative figures have been reclassified to conform to current year presentation.

During the Corporatization stage, the following management were on contract to Investment Saskatchewan.

Maurice Delage
Acting President and CEO
Chairperson of the Board, Investment Saskatchewan

Zach Douglas
Senior Vice President, Investments
Investment Saskatchewan

Shelley Legin
Vice President, Business Development & Investment Funds
Investment Saskatchewan

John Hicke
Vice President, Investments
Investment Saskatchewan

John Amundson, CA
Acting Controller
Investment Saskatchewan

Rob Spelliscy, CA
Financial Consultant
Investment Saskatchewan

200-2400 College Avenue
Regina, SK
CANADA S4P 1C8

Tel: (306) 787-7200
Fax: (306) 787-6926

www.investsask.com